TELKOMSEL

by Telkom Indonesia

PT Telekomunikasi Selular 2013 Annual Report

GROWING THE DIGITAL BUSINESS

Continuing to Win

Foreword

GROWING THE DIGITAL BUSINESS

Continuing to Win

The year of 2013 saw how the firm paved way to reap more business opportunities, particularly in the digital business segment. Our decision to embark upon the business transformation, people, organization and culture transformation starting last year ensured that the Company was on the right track to continue to be the winner in the digital era with sustained revenue growth. With the spirit of TELKOMSEL WAY that is Philosophy to be the Best, Principle to be the Star and Practices to be the Winner, we are determined to maintain the champion position in the new digital era and achieve Triple-Three target in Enterprise Value, Revenue Growth and Digital Contribution, by 2015.

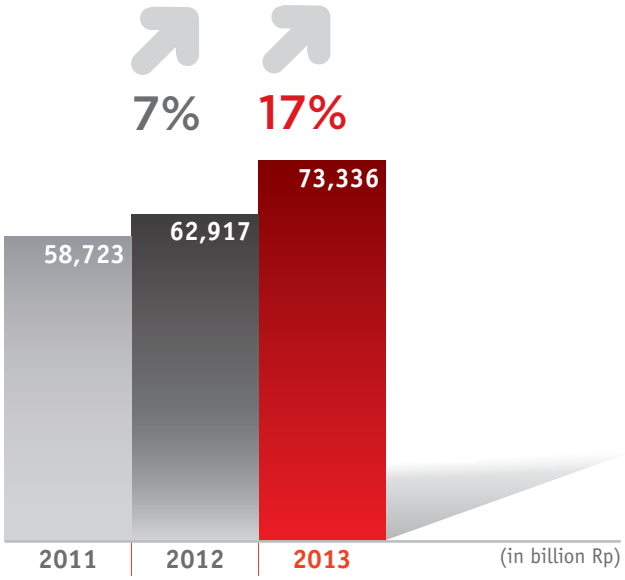
Performance Highlights

Leading through Excellent Performance

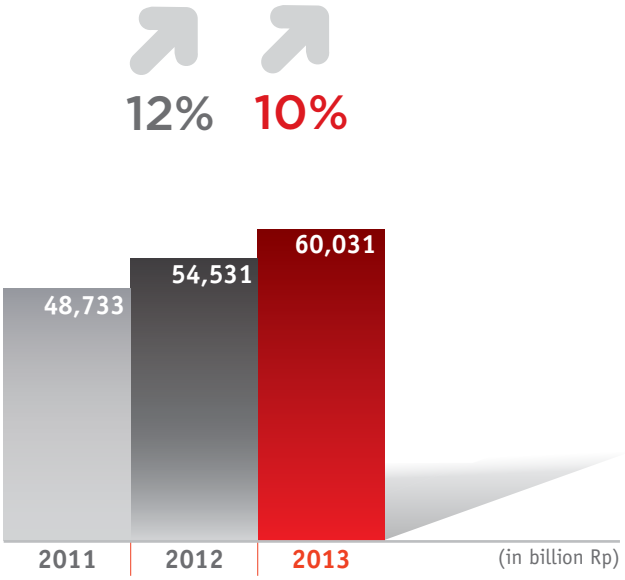
The success in achieving the excellent performance in 2013 has positioned us as market leader in the industry.

Key Figures of Achievement

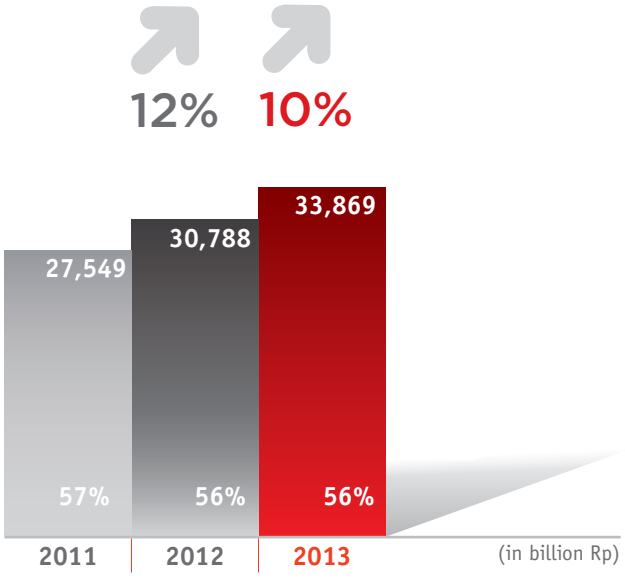
Double Digit Growth in Total Asset



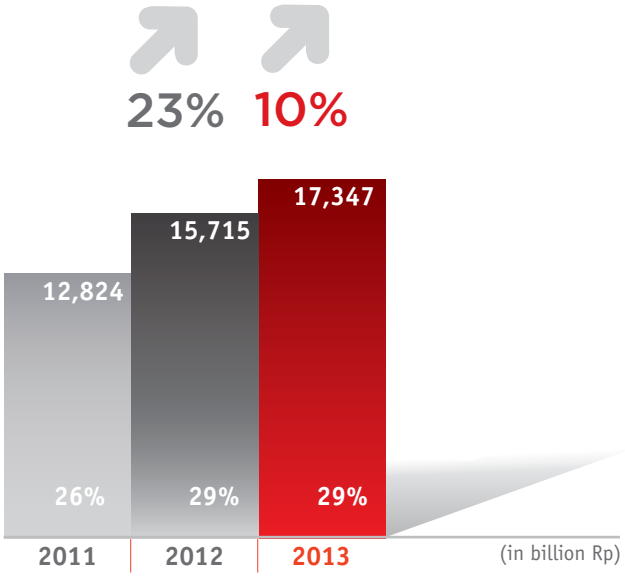
Double Digit Growth in Revenue & Break 60 T



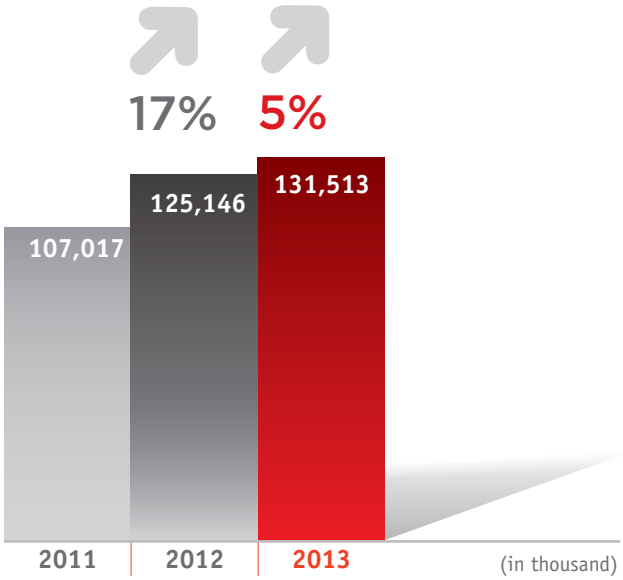
Maintain Double Digit Growth in EBITDA & Stable EBITDA Margin



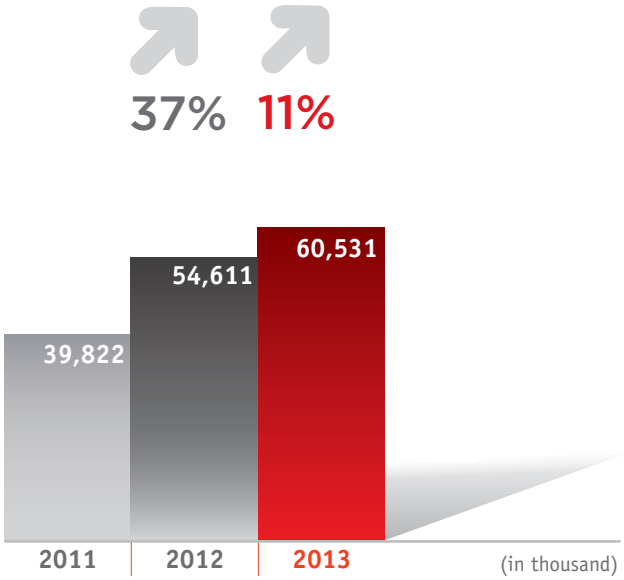
Maintain Double Digit Growth in Net Income & Stable Net Income Margin



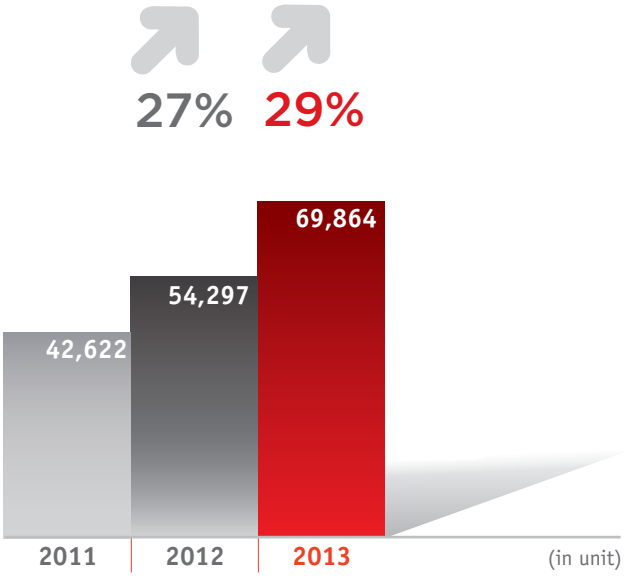
Total Customer Base



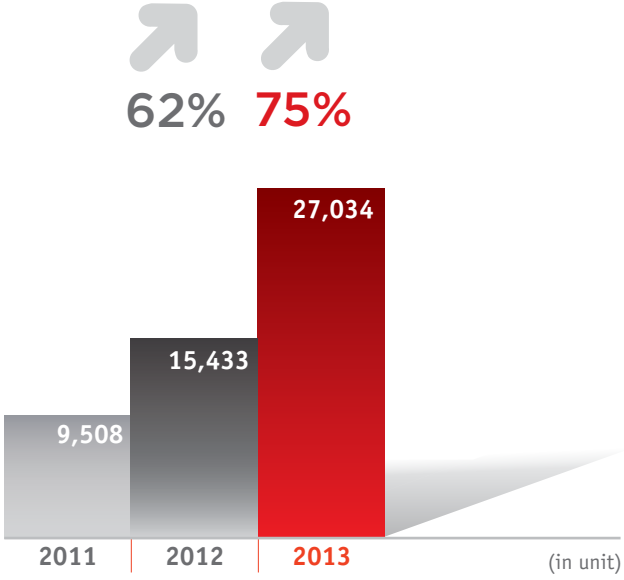
Maintain Double Digit Growth in Data Enabler Users



Total BTS On-Air



Total 3G BTS On-Air



Financial Highlights

Description (in billion Rp)	2009	2010	2011	2012	2013
Financial Position					
Current Assets	7,085	5,787	9,855	13,582	16,603
Fixed Assets	50,346	49,118	46,208	46,480	53,182
Other Non - Current Assets	1,796	2,438	2,660	2,855	3,551
Total Assets	59,227	57,343	58,723	62,917	73,336
Current Liabilities	18,990	13,493	13,975	13,039	16,405
Non-Current Liabilities	9,181	9,644	6,372	6,046	9,109
Equity	31,056	34,206	38,376	43,832	47,821
Total Liabilities and Equity	59,227	57,343	58,723	62,917	73,336
Comprehensive Income					
Revenues	44,443	45,567	48,733	54,531	60,031
Expenses (Include Depreciation)	25,227	28,210	31,065	33,538	36,761
EBITDA	27,331	26,598	27,549	30,788	33,869
Net Income	13,160	12,362	12,824	15,715	17,347
Cash Flows					
Cash Flows from Operating Activities	21,690	19,471	22,824	26,229	29,602
Cash Flows from Investing Activities	(13,364)	(9,870)	(7,665)	(13,528)	(14,445)
Cash Flows from Financing Activities	1,875	(2,028)	(3,812)	(2,291)	(1,899)
Cash Dividend	(7,715)	(9,992)	(8,351)	(9,900)	(12,890)
Net Increase (Decrease) in Cash and Cash Equivalents	2,486	(2,419)	2,996	510	368
Financial Ratios					
EBITDA Margin[1]	61%	58%	57%	56%	56%
Net Income Margin[2]	30%	27%	26%	29%	29%
Return on Assets[3]	24%	21%	22%	26%	25%
Return on Equity[4]	45%	38%	35%	38%	38%

Notes:
[1] EBITDA divided by Revenues
[2] Net Income divided by Revenues
[3] Net Income divided by Average Total Assets
[4] Net Income divided by Average Total Equity

Operational Highlights

Description	2011	2012	2013
Customers - in thousand			
Postpaid	2,188	2,149	2,489
Prepaid	104,829	122,997	129,023
Total	107,017	125,146	131,513
Legacy Business Driver - in billion			
MoU total	166	185	191
MoU Chargeable	159	141	140
SMS Total	224	253	260
SMS Chargeable	106	116	146
Core Business Driver			
Data Enable Users - in thousand	39,822	54,611	60,531
Data Payload - in TByte	28,275	51,938	96,683
ARPU - in thousand Rp			
Postpaid	193	189	184
Prepaid	35	34	35
Blended	39	37	37
Network			
Total BTS 2G	33,114	38,864	42,830
Total BTS 3G	9,508	15,433	27,034
Total BTS 2G and 3G	42,622	54,297	69,864
Employee			
Total Employees (excl. BOD)	4,417	4,557	4,711
Efficiency Ratio (subs/employee)	24,228	27,462	27,916

2013 Event Highlights

January

Laying Foundation for 2013

Telkomsel held town hall meeting to communicate business strategy, strategic initiative and strategic objectives to the employees. This was aimed to lay the foundation to enter 2013 and to motivate all employees to break revenue of Rp60 trillion in 2013.

Telkomsel – Nokia Device Bundling Co-operations

Telkomsel again introduced a more affordable way to enjoy data and digital services. Jointly with Nokia, it promoted the fast mobile internet experience at affordable rate through the delivery of innovative solutions from Nokia smart phone and Nokia featured phone. Such partnership allowed Telkomsel's customers to enjoy special prices for every purchase of the Nokia series.

February

The Inauguration of GraPARI Malang Outlet

Telkomsel held inaugurated ceremony of GraPARI Malang outlet witnessed by Malang City Mayor and Sales Director of Telkomsel. The new GraPARI which move to new place was expected to be able to deliver improved service quality and better comfort to customers.

March

Telkomsel Won 3rd Carrier 3G Channel

Telkomsel was awarded additional radio frequency band of 2.1 GHz (3G). Telkomsel benefited from opportunity to expand its broadband and digital services which will boost creative innovations for youth community in Indonesia.

March

Telkomsel Donated One Unit Blood Donor Car to Indonesia Red Cross

Telkomsel, represented by the President Director, Alex J. Sinaga, handed over a blood donor car to Indonesia Red Cross, represented by the Chairman of Indonesia Red Cross, Jusuf Kalla, to help facilitate the need for blood nationwide. The donation was part of Corporate Social Responsibility (CSR) in the area of health.

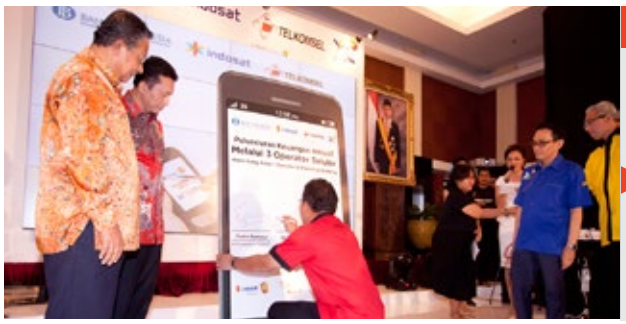
April

Telkomsel – Lion Air Cooperation in Corporate Business Solution

Telkomsel and Lion Air signed a Memorandum of Understanding concerning the delivery of comfortable communications solutions for the air transportation passengers. Telkomsel also supported the business operation of Lion Air through the delivery of Corporate Business Solutions.

Telkomsel Officially Opened GraPARI Central Park – Jakarta

The GraPARI outlet brings mobile lifestyle concept and modern design, and offers gadget sales and variety of the latest broadband solutions including a digital corner. At the event, Telkomsel handed over *simPATI* Loop starter pack to youth costumers.



May

Launching Event of e-Money Inter Operability

Telkomsel collaborated with Indosat and XL launched an inclusive financial services called e-money interoperability. The new innovative solution will facilitate easier interoperability electronic money transfer using cellular phone, including facilitates money transfer among T-cash customers, as well as from T-Cash customers to other operator customers.

2013 Event Highlights

May

Enhancement of Telkomsel Digital Advertising Services

Telkomsel enhanced its digital advertising services by providing a variety of communication solution based on targeted segment. Now the brand owners can select the channel they want to use including Messaging (targeted, bulk, location based advertising, insertion), Display (Off Deck Banner, Interstitial Banner, On Deck Banner, etc) and Rewards (mKupon, Scratch and Win, Voice Bonus).

The Launch of Telkomsel Way in 18th Anniversary

At the celebration of Telkomsel 18th Anniversary, Telkomsel's management launched THE TELKOMSEL WAY, a culture or ways to be a Great Company. It is established as corporate culture of Telkomsel, which is structured based on 'always the best' Philosophy, 'to be the star' Principle and 'to be the winner' Practices.

June

Telkomsel Held HaloFit Run

HaloFit Run was not only a running competition, as more than 2,100 participants joining the competition could also participate in donating 1,800 shoes to the orphans. The shoes were obtained from participants' registration fee.

Telkomsel Joined Indonesia Cellular Show (ICS) 2013

Telkomsel joined one of the biggest gadget exhibitions in Indonesia, by offering various digital products and services. Indonesia's Minister of Communications and Informatics Tifatul Sembiring, and Telkomsel President Director Alex J. Sinaga visited Telkomsel exhibition booth at the opening of Indonesia Cellular Show (ICS) 2013.

June

Scholarship for Best Performing Students

On June 11, Telkomsel awarded scholarship for the best performing students of Junior High, Senior High, and Senior Technical Schools, with highest scores during National Test. Each province nominated three students to represents their provinces for scholarship programs. This program is part of Telkomsel CSR in the area of education.

Telkomsel Siaga Drive Test

Telkomsel Network Director, Abdus Somad Arief, at the presentation of Telkomsel Network Performance in Network Test Drive with journalists from various media. The Network Drive Test was to ensure the readiness of Telkomsel's network to anticipate the jump in communication traffic during the month of Ramadhan, and particularly on Lebaran Day.

July

Telkomsel Distributed 12 Tones of Kurma for 4 Great Mosques in Indonesia

Telkomsel held Ramadhan donations in four cities: Makassar, Jakarta, Medan, and Surabaya. The donation consisted of 12 tones of kurma for four great mosques in those cities and in the forms of cash money, prayer kits, school gears, and others for 18,000 orphans and poor children.

Telkomsel's Arsenal Tour Sponsorship

As the official sponsor of Arsenal Tour in Indonesia, Telkomsel held football experience program including meet and greet event for Telkomsel customers.

Network Readiness for Lebaran

Ahead of Lebaran, Indonesia's Minister of Communications and Informatics, Tifatul Sembiring, checked Telkomsel service readiness. As part of Lebaran readiness, Telkomsel deployed 450 new BTSs mostly in Java and Sumatra.

2013 Event Highlights

July

Telkomsel Set Off Telkomsel Siaga

Telkomsel set off 46 units of Mobile GraPARI Indonesia (MGI). The MGI was set for serving the customers especially along the holiday route and the areas that were covered with Telkomsel's service during the 2013 Lebaran holiday.

August

Lebaran Holiday Buses for the Customers Set Off

Telkomsel set off 30 buses 'Mudik Nyaman Bersama Telkomsel' in Jakarta, on Saturday (8/3). Telkomsel Lebaran Holiday Season Buses Program mobilized 1,350 of Telkomsel's partner outlets from Greater Jakarta area to any destinations in West Java, Central Java, and East Java.

The Launch of Mobile GraPARI Indonesia (MGI)

Telkomsel launched 268 Mobile GraPARI Indonesia (MGI) which facilitates the sales of kartuHalo, *simPATI*, Kartu As, device bundling, digital services, Value Added Service (VAS) features, and after-sales service. It was a realization of Telkomsel's Masterpiece program in Indonesia.

Launching Kartu As 2 in 1 during Telin's Malaysia Office Opening

As part of synergy with Telkom, Telkomsel launched Kartu As 2 in 1 during the opening of Telkom International Sdn Bhd's Malaysia office on August 25.

August

Telkomsel Developed Digital Creative Industry Nationwide through Indonesia Digital Creative Program

The Indonesia Digital Creative Program was launched in Jakarta, (8/28). Promoting the tagline of being the Most Indonesia Operator, Telkomsel kept innovating to meet the increase demand from the customers. One innovative program related to digital application that gave the opportunity to Telkomsel to set up cooperation with local application developers.

September

Kicking Off Area Empowerment Program

Telkomsel kicked off the Area Empowerment program on 2nd September with the theme "Building a Stronger Telkomsel Organization" as part of organization transformation.

4G LTE Trial

Telkomsel conducted 4G LTE Trial and launched *simPATI* APEC LTE SIM card as part of its support for the Asia Pacific Economic Cooperation (APEC) 2013 in Bali. During the trial the download speed recorded reached 61Mbps or 40 times of 3G speed.

As Part of Telkom Group, Telkomsel Distributed Donation to the Victims of Mount Sinabung Eruption

Indonesia's Minister of Communications and Informatics Tifatul Sembiring handed over a Rp150 million donation from Telkom Group symbolically for the Erupted Mount Sinabung's refugees. Telkomsel provided additional donation to the refugees, such as blanket, masker, and other equipment. Prior to this, Telkomsel enacted Telecommunication Posts at three locations one day after the disaster took place.

2013 Event Highlights

October

The Telkomsel's LTE Corner at 25th APEC Summit

Indonesia's President, Susilo Bambang Yudoyono, and wife, Ani Yudhoyono, visited Telkomsel's LTE Corner in Bali Nusa Dua Convention Center on October 6. Telkom Group and Telkomsel were appointed as the official telco partner for the 25th APEC Summit in Nusa Dua, Bali.

Telkomsel Celebrated Successful Deployment of 13,000 New BTS

On October 28, Telkomsel celebrated the inauguration of its 13,000 new BTS in 2013 with CSR Bahari Expedition in 4 locations of the outer islands of Indonesia, as part of its commitment to build the biggest broadband network in Indonesia.

November

The Launch of 400 units of COMBAT

Telkomsel added 400 units of Mobile Towers (COMBAT) or in total reached 450 units at the end of 2013. The launched of COMBAT was to ensure the network service quality during the 2013 Christmas and 2014 New Year celebration.

The Launch of DigiLife Logo

The DigiLife logo was introduced to public in order to socialize the more integrated and varied digital services of Telkomsel.

December

Telkomsel Scholarship Program for the Employees

As part of Telkomsel commitment to develop GREAT People GREAT Company, Telkomsel awarded overseas scholarship to 65 selected employees in reputable universities overseas.

The Inaugural Ceremony of GraPARI Kualanamu North Sumatera

Telkomsel launched GraPARI Kualanamu at International Kualanamu Airport, North Sumatera. The operation of GraPARI Kualanamu brought the number of Telkomsel's GraPARI to 408 across Indonesia.

Drive Customer Experience through Telkomsel Lounge

Telkomsel inaugurated Telkomsel Lounge at 2F Terminal of Soekarno-Hatta Airport Jakarta. Telkomsel's customers can enjoy various facilities at the lounge, such as internet service and Wi-Fi access, SIM card replacement (Micro or Nano SIM card), the sales and activation service, access to digital service experience, and access to other information.

Network Readiness for the December Festive Season

Telkomsel's Board of Directors visited some locations to ensure the network quality service during the 2014 New Year celebration.

Awards and Accolades

Throughout the year of 2013, Telkomsel obtained 55 awards in various categories from various institutions for national to international level. These awards are reflection of Telkomsel's business excellence which operates in high standard to stay in the lead in telco industry. With an unparalleled combination of network infrastructure, coverage areas, strategy execution and strong management operation, Telkomsel is driving breakthrough to provide customer experience. Among the awards included:

Asia Pacific ICT Awards 2013
Wireless Service Provider of the Year
(Frost & Sullivan International)

Asia's Best Companies 2013
Best Corporate Governance (ranked 6th) & Best Managed Company (ranked 9th)
(Finance Asia)

Indonesia Excellence Awards 2013
Mobile Broadband Service Provider of the Year
(Frost & Sullivan International)

Distinctive Achievement Award 2013
in Communication Technology Infrastructure Development
(The Asian Media Information and Communication Center)

CNET Asia Readers' Choice Award
Telkomsel as The Best Telco for Indonesia *(CNET)*

Indonesia Excellence Awards 2013
Mobile Service Provider of the Year
(Frost & Sullivan International)

Soegeng Sarjadi Award
on Good Governance 2013
(Soegeng Sarjadi)

Top Brand Award
kartuHalo & *simPATI*
for 14 Consecutive Years
(Frontier & Marketing)

Indonesia Best Brand Award
simPATI for 3 Consecutive Years (2011-2013)
(SWA & MARS)

Anugerah Peduli Pendidikan (APP) 2013
for the Company or State Owned Enterprise
(Indonesia's Minister of Culture and Education)

Indonesia Social Responsibility Award 2013
Telkomsel Integrated Digital School *(LaTofi School of CSR)*

Selular Award 2013
Operator of the Year
(Majalah Selular)

10th Indonesia Cellular Award 2013
(Indonesia Cellular Show)

PR of the Year 2013
The Best Corporate PR Program of the Year
(Mix Marketing – SWA Media)

Business Excellence

Frost & Sullivan Asia Pacific ICT Awards 2013
1. Wireless Service Provider of the Year

Frost & Sullivan Indonesia Service Excellence Awards 2013
2. Mobile Service Provider of the Year
3. Mobile Broadband Service Provider of the Year

CNET Asia Readers' Choice Award
4. Telkomsel - The Best Telco for Indonesia

Top Brand Award
5. kartuHalo - Postpaid SIM Card
6. *simPATI* - Prepaid SIM Card
7. Telkomsel Flash - Mobile Internet Service Provider
8. Telkomsel - BlackBerry Service Provider

Excellent Service Experience Award (ESEA) 2013
9. Telkomsel - The Best Telecommunication GSM

The Indonesia Middle-Class Brand Champion 2013
10. *simPATI* - Prepaid GSM SIM Card
11. Telkomsel Flash - Internet Provider

Indonesia Brand Champion Award 2013
12. *simPATI* - Most Widely Used of GSM
13. Telkomsel Flash - Most Widely Used of Cable Internet Provider Brand

Selular Award 2013
14. Telkomsel - Operator of the Year
15. Telkomsel - Best GSM Operator
16. Telkomsel - Best BlackBerry Services
17. kartuHalo - Best Postpaid
18. *simPATI* - Best Prepaid

Golden Ring Award 2013
19. Telkomsel Flash Unlimited 1 Tahun - Operator Product
20. *simPATI* Dance Like Agnes - Innovative Program
21. Telkomsel - Best BlackBerry Service
22. Telkomsel - Operator of the Year 2013

The Indonesia Most Recommended Consumer Community Award 2013
23. *simPATI* - Brand of Choice by Community

Indonesia Cellular Award 2013
24. The Best GSM Operator
25. The Best BlackBerry Service
26. The Most Favourite Booth

Distinctive Achievement Award
27. Communication Technology Infrastructure Development

Kartini Woman's Choice Brand Award 2013
28. *simPATI* - GSM Operator
29. *simPATI* - BlackBerry Operator

SWA - Word of Mouth Marketing
30. Telkomsel Flash - Mobile Internet Service

Indonesia Best Brand Award 2013
31. Best Brand for GSM SimCard

Otomotif Choice Award 2013
32. Best Mobile Telecommunication Provider

Social Media Award 2013
33. BlackBerry Service Provider
34. Prepaid Cellular Sim Card for *simPATI* dan Kartu As
35. Prepaid Cellular Sim Card for Kartu As
36. Postpaid Cellular Sim Card for kartuHalo

Indonesia Most Favorite Netizen Brands 2013
37. The Best Cellular Operator
38. The Best Internet Provider

ICSA 2013
39. *simPATI* - Prepaid Sim Card
40. kartuHalo - Postpaid SIM Card

Indonesia's Minister of Culture and Education
41. Anugerah Peduli Pendidikan (APP) 2013 for the Company or State Owned Enterprise

Customer Service Excellence

Contact Center Service Excellence Award (CCSEA) 2013 for Telkomsel
42. Excellent Service Performance

Service Quality Award 2013
43. GraPARI Telkomsel - Cellular Telecommunication – GSM

Records Museum of Indonesia
44. Simultaneous Operation of the Largest Number of Mobile Service Units in Indonesia

OpexCon 2013
45. Mobile GraPARI at Your Door - Runner Up Best Project

Corporate Image

Finance Asia, ASIA'S BEST COMPANIES 2013
46. Best Managed Company (ranked 9th)

The Best of Private Enterprise Inhouse Magazine InMA 2013
47. Signal Magazine

Corporate Image Award 2013
48. Indonesia's Most Admired Companies

BUMN Corporate Secretary Public Relations Award
49. Best Corporate Website

PR of The Year
50. The Best Corporate PR Program of The Year

Indonesia Public Relation Award 2013
51. PR Figure selected by Indonesian media association

GCG & CSR

Finance Asia, ASIA'S BEST COMPANIES 2013
52. Best Corporate Governance (ranked 6th)

Soegeng Sarjadi Award on Good Governance 2013
53. Best Companies Award

Ministry of Education and Culture
54. Anugerah Peduli Pendidikan (APP) 2013 for best companies/state owned companies

Indonesia Social Responsibility Award 2013
55. Integrated Digital School - LaTofi School of CSR

ISO Certification

We are committed to providing the highest customer experience in accordance with the international standard, and consistently delivering high quality products and services to ensure customer satisfaction.

Certification Management System as per ISO 9001:2008 for Telkomsel's GraPARI outlet at Gandaria City *(TÜV Nord)*

Certification Management System as per ISO 9001:2008 for Telkomsel's GraPARI outlet in Bekasi *(TÜV Nord)*

Certification Management System as per ISO 9001:2008 for Telkomsel's GraPARI outlet at Wisma Mulia Building *(TÜV Nord)*

Certification Management System as per ISO 9001:2008 for Telkomsel's GraPARI outlet at Wisma Alia Building *(TÜV Nord)*

Certification Management System as per ISO 9001:2008 for Telkomsel's GraPARI outlet in Semarang *(TÜV Nord)*

Certification Management System as per ISO 9001:2008 for Telkomsel's GraPARI Denpasar *(TÜV Nord)*

Certification ISO/IEC 27001:2005 - Network and IT for IT Directorate, Network Directorate, and GraPARI at Wisma Mulia Building *(Bureau Veritas)*

Customer Service

20 (twenty) Telkomsel's GraPARI were awarded ISO 9001:2008 certification:

- Telkomsel's GraPARI North Jakarta (Mangga Dua)
- Telkomsel's GraPARI Central Jakarta (Alia Gambir)
- Telkomsel's GraPARI West Jakarta (Central Park)
- Telkomsel's GraPARI East Jakarta (Rawamangun)
- Telkomsel's GraPARI South Jakarta (Wisma Mulia)
- Telkomsel's GraPARI South Jakarta (Gandaria City)
- Telkomsel's GraPARI BSD Tangerang
- Telkomsel's GraPARI Bekasi
- Telkomsel's GraPARI Bogor
- Telkomsel's GraPARI Medan
- Telkomsel's GraPARI Pekanbaru
- Telkomsel's GraPARI Palembang
- Telkomsel's GraPARI Bandung
- Telkomsel's GraPARI Semarang
- Telkomsel's GraPARI Surabaya 1
- Telkomsel's GraPARI Surabaya 2
- Telkomsel's GraPARI Surabaya 3
- Telkomsel's GraPARI Denpasar
- Telkomsel's GraPARI Balikpapan
- Telkomsel's GraPARI Makassar

Call Center

5 (five) Telkomsel's Call Center were awarded ISO 9001:2008 certification:

- Call Center Medan
- Call Center Jakarta
- Call Center Bandung
- Call Center Surabaya
- Call Center Makassar

Network and IT

Telkomsel received ISO/IEC 27001:2005 from Bureau Veritas Certification for the operation of broadband services, recharging system, e-wallet system, service desk system, customer care, billing system for postpaid and prepaid provided by the IT Directorate, Network Directorate, and GraPARI at Wisma Mulia building. It was obtained on September 23, 2013 and valid thru September 22, 2016.

Remarks to the Shareholders

Enhancing Our Competitiveness through Transformation

We are heading towards a more competitive company through the empowerment of our organization (area based) and the launch of THE TELKOMSEL WAY culture to generate GREAT People that will lead the business with the Solid, Speed and Smart vision.

Remarks from the President Commissioner

"**Transforming our businesses into a digital business** consisting of **broadband** and **digital services** will be the key catalyst to sustain business growth amidst a competitive and mature telecommunication industry."

Arief Yahya
President Commissioner

2013 was a pivotal year in Telkomsel's journey to achieve the multiyear transformation that enabled it to continue to deliver sustainable competitive growth in shareholders' value. The key challenges are to grow the digital business and continue to win the market. Facing these challenges, in 2013 Telkomsel recorded an exceptional performance, with "triple double-digit growth" in Revenue, EBITDA and Net Income. The achievement of "triple double-digit growth" was very special given the fact that the telecommunication industry is becoming more mature and the environment is changing rapidly. The Company has made significant investment in the digital business as an effort to accelerate growth in the longer term and to sustain the performance in the near term. During 2013, Indonesia experienced challenging macroeconomic and market conditions, especially with the depreciation of the Indonesian Rupiah.

Continuing To Win

The biggest challenge for Telkomsel is how to continue to lead the industry and to maintain strong revenue growth. We believe that legacy voice and SMS services will remain for some time as the main contributors to our revenue, hence we need to continue to grow them. We also strongly believe that transformation is the key to sustaining the growth. Transforming our businesses into a digital business consisting of broadband and digital services will be the key catalyst to sustain business growth amidst a competitive and mature telecommunication industry. We emphasize the importance of continual transformation in business, organization, culture and people and that the success of the transformation is essential for us to stay ahead in this competitive industry.

Corporate Governance

We always emphasize the importance of good corporate governance being continually practiced at Telkomsel. One of our roles is to ensure that the Board of Directors is on the right track to achieve the strategic objectives that we have established. This supervisory function is supported by a number of committees including the Audit Committee, which oversees the financial reporting process and internal control system, the Remuneration Committee, which reviews the Company's overall remuneration policy and strategy, and the Capital Expenditure, Financing and Management Process (CFMP) Committee which oversees the Company's capital expenditure planning and financing policies as well as capacity and operational management. The roles and functions of each committee need to be continuously strengthened to ensure that best practice corporate governance is implemented and exercised in Telkomsel, with the highest standards of transparency and disclosure.

As the telecommunication industry moves towards the digital era, Telkomsel has to prepare all its resources, especially its human capital and organization. Human capital and organization competencies need to be continuously strengthened so that they are ready to face industry challenges. Telkomsel as an organization also needs to continue to transform to reach the highest possible performance level.

Corporate Social Responsibility

We continued our policy of helping to improve the quality of life of the quality of life of communities that are impacted by limited access to education facilities and by natural disasters, and to preserve maritime resources. Our education CSR policy focuses on Integrated Digital Schools, Edu Campus Development Centers and Student Scholarships. For natural disaster relief, we have the Telkomsel Emergency Response and Recovery Action (TERRA) which focuses on relief and aid to affected areas. The maritime resources program represents our strong commitment to protect Indonesia's rich marine resources through the planting of coral reefs, cleaning of coastal and sea areas, distribution of telecommunication facilities to Army Posts and seamen, etc.

In 2013, Telkomsel received a CSR award from the Ministry of Education and Culture and another from La Tofi School of CSR as tokens of appreciation of our commitment to contribute to the nation and it's communities.

Acknowledgement

Telkomsel's strong performance in 2013 would not have been realized without the thorough efforts of the Board of Directors, management and all employees, as well as trust and support from the shareholders, business partners, and regulatory authorities. On behalf of the Board of Commissioners, I would like to take this opportunity to acknowledge their hard work, dedication, commitment, and contributions during the year.

Arief Yahya
President Commissioner

Remarks from the President Director

"In 2013 we were proud to achieve the **double digit growth** in Revenue, EBITDA and Net Income."

Alex J. Sinaga
President Director

For Telkomsel, 2013 was a very successful year in which we passed several important financial and operational milestones as part of our transformation journey, to lay down the foundations needed to handle the challenges and opportunities in this changing telecommunication industry.

During 2013, Indonesia faced uncertain macroeconomic and market conditions, and in particular the weakening of the Indonesian Rupiah that resulted in higher operating costs for businesses. Despite that, we achieved the significant milestones of posting Rp60 trillion in Revenue, and maintaining double-digit growth in Revenue, EBITDA and Net Income. Revenue grew 10% as compared to the previous year. Broadband and digital services contributed significantly to our revenue and registered growth of 36% and 30% respectively. Legacy business maintained 5% growth as compared to the previous year. In terms of profitability, the Company's both EBITDA and net income grew by 10%. Our EBITDA and Net Income margins were stable, amounting to 56% and 29%, respectively. Our customer base increased by 5% to 131.5 million customers, of which around 60.5 million or 46% were data users. During the year, we deployed 15,567 new BTS to increase the total BTS on-air by 29% year on year to 69,864 BTS. A total of 3G BTS were 27,034 BTS, representing around 39% of our total BTS, growing by 75% year on year.

The telecommunication market paradigm is constantly changing, in particular on how mobile devices are being used. From the traditional voice and SMS, devices have evolved into a tool to access instant information, entertainment, social media, payment transactions, etc. As part of our transformation strategy, we combined Device, Network and Applications (DNA) to provide new and exciting services to stay ahead in this changing market. This transformation provides us with the confidence to invest in new markets and to focus on the digital space to grow revenue of our business.

Exploiting Our Legacy

Voice and SMS services remained the largest revenue contributors, accounting for 72% of our total revenue. We solidified our leadership position in terms of revenue market share by growing our legacy revenue by 5% over last year. Our voice and SMS business remains robust, and provides a strong foundation for sustainable profitability. High SIM card penetration shows that the Indonesian mobile market is close to saturation. Consequently, enhancing the customer experience by providing high quality services is a must in an effort to retain loyal customers. To exploit our legacy revenue, we focused on geographic clusters and customer segmentation where we can provide more services and generate more revenue.

Growing Our Digital Business

Our digital business contributed close to 20% of our total revenue in 2013, which was a significant increase from a year earlier, when it contributed 16% of total revenue. Revenue from the digital business grew 35%, mainly from broadband which grew 36% and Digital Services which increased 30% from last year. Over the coming years these businesses will continue to be our main engine of growth. The potential to further increase the number of data users is still huge as current penetration of smart phones is still relatively low at around 20% of our customers. We will encourage the adoption of smart phones as this is one of the keys to accelerating data consumption. With attractive marketing programs such as product bundling with smart phone manufacturers, supported by decreasing smart phone prices, we expect to increase our data users significantly.

Remarks from the President Director

At the same time, we will continue our strategy to build the Device-Network-Application (DNA) ecosystem to enhance our digital business.

In addition, we will put more effort into having a stronger presence in the youth market, since this is a critical segment in capturing the digital lifestyle wave. This segment has dynamic characteristics but will become our long-term loyal customers once they experience the high quality and unique products and services that we provide. With strong products, the right approach and reasonable pricing, we believe that our brands will have a strong position in youth's mind, which in turn will increase our market share in this segment.

Continuing our Transformation to Face the Digital Era

The success in achieving the excellent set of results in 2013 was partly due to a well-executed transformation agenda that has been established in all areas of the business, as well as people development through our 'GREAT People, Great Company' program. Our transformation agenda is a continuous process that will support us in overcoming the challenges ahead and seizing new opportunities offered by industry changes. One of the objectives that we set our sights on is increasing the value of data and digital services in our business, as internet browsing, social media, music downloading, multimedia messaging, mobile banking and mobile advertising have become part of our daily lives. This explains why we allocated a significant proportion of our capital expenditure to strengthening our network by deploying more 3G BTS, to ensure that our data users have a quality experience. We had three corporate masterpieces in 2013 with a focus on continuing the transformation to the digital era. Firstly, we developed 300 broadband cities across Indonesia, secondly we rolled out 68 local digital creative contents and finally we improved our customer experience by implementing 268 Mobile GraPARI (MoGI) across Indonesia.

We are transforming our human capital through programs known as 'GREAT People' and 'Great Company', with solid initiatives in place to transform people, culture, and organization. To enhance people capabilities to align to our business transformation, we developed a series of programs to build the required competencies to meet the challenges ahead. The "GREAT People Development Program" (GPDP), with special projects, coaching and mentoring is a very effective program for senior leaders and managers within Telkomsel and will be mandatory at all levels as a per-requisite for career development and advancement. In addition, to further develop people with a global mindset and readiness, high potential individuals were assigned to participate in the "Global Talent Program" (GTP) and an overseas scholarship program. As part of career management and to sustain talent, we are developing a dual track career system (structural & functional) and career movement mechanism. Every quarter, the Career Committee will review the candidates for talent pool membership, promotion, rotation and other programs.

During 2013, the Telkomsel organization was restructured and realigned on an area-based organization, which gives more empowerment to the four areas. This empowerment will enhance business performance by bringing us closer to the market and enabling faster decision-making and implementation of sales, marketing and network initiatives to ensure continued leadership in key segments and products.

Culture plays an important part in any transformation. Being the market leader, our culture of continuing to win and be the market leader is set in stone. To lead change within the industry is imperative and a strong corporate culture is the foundation for that change. "THE TELKOMSEL WAY" was formulated as a belief system for corporate culture development and as a behavioral reference for each and every Telkomsel employee.

Sustaining Business Growth

All the efforts mentioned above are aimed at the ultimate objective of achieving the "Triple 3" targets by the end of 2015. They are: Enhancing Enterprise Value, Significantly Increasing Revenue and Investing in and Growing the Digital Business. We believe that we can accomplish these objectives through our 5-part growth strategy:

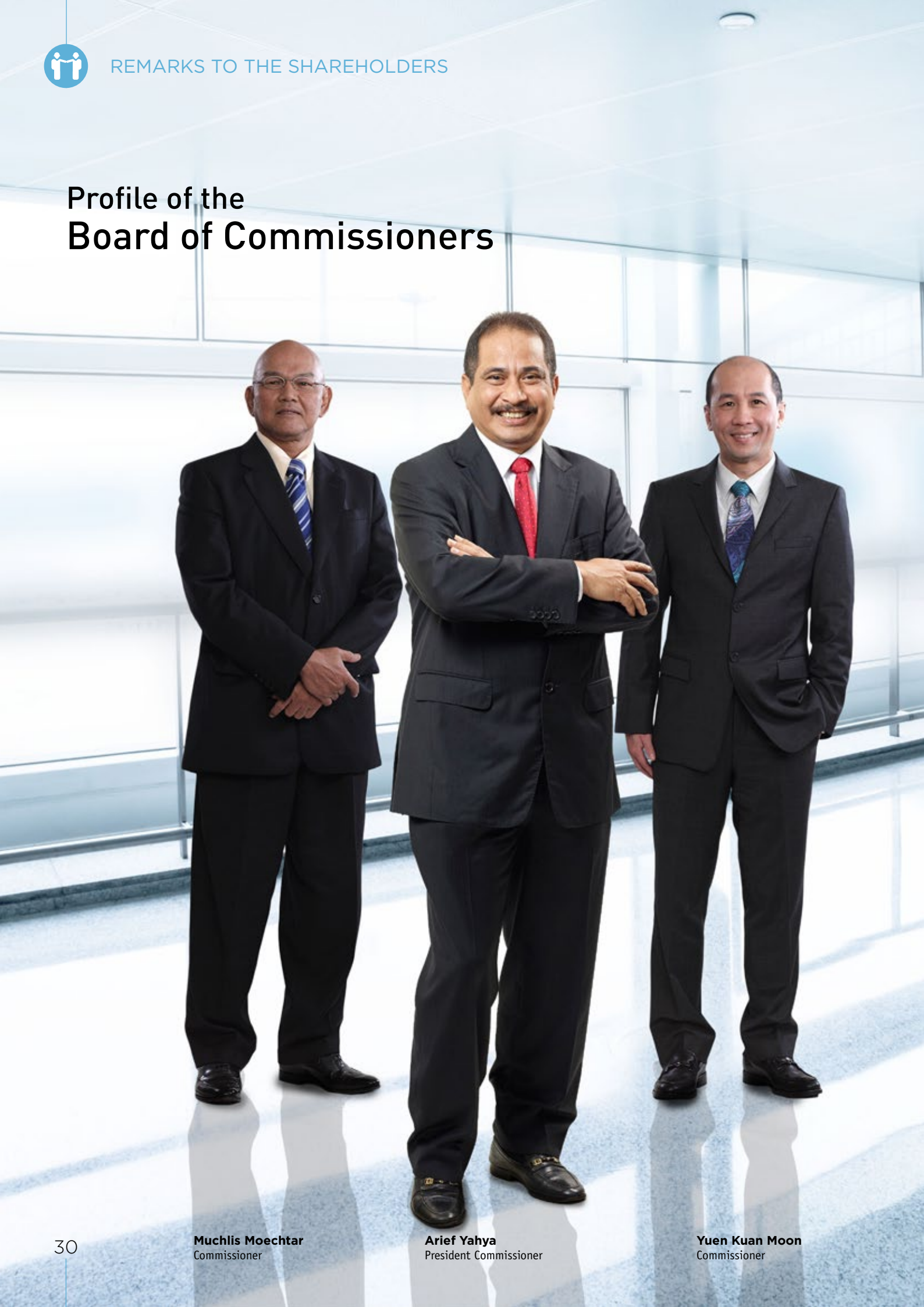
1. Exploit voice and SMS services by enhancing micro-cluster based pricing and providing the best class of network quality,
2. Strengthen the broadband services through a focus on driving the number of data users, smart phone penetration and network quality and coverage,
3. Trigger the Digital Ecosystem through the creation of innovative and differentiated digital products and deliver new revenue streams,
4. Drive investment in innovation,
5. Acquire selectively as a part of the Telkom Group's strategy.

For 2014, we anticipate that the Indonesian telecommunication industry to grow at a comparable rate to 2013. We expect Telkomsel to grow in line with or above the industry growth rate.

Our highest appreciation goes to all stakeholders for their contribution in achieving an exceptional performance in 2013. I would like to acknowledge the Company's management and all employees for their commitment, dedication and professionalism in achieving our objectives, as well as our stakeholders.

Alex J. Sinaga
President Director

Profile of the Board of Commissioners



Muchlis Moechtar
Commissioner

Arief Yahya
President Commissioner

Yuen Kuan Moon
Commissioner

Rizkan Chandra
Commissioner

Priyantono Rudito
Commissioner

Paul O'Sullivan
Commissioner

Profile of the Board of Commissioners

Arief Yahya
President Commissioner

Joining as a member of the Board of Commissioners of Telkomsel since 2007, Mr. Arief Yahya has been appointed as President Commissioner since May 2012. His appointment to the Board was confirmed with the GMS' decision letter No. 120, dated 24 May 2012.

He is currently also the President Director of PT Telekomunikasi Indonesia Tbk (Telkom). Prior to this, he held various strategic positions in Telkom, including as Director of Enterprise & Wholesale (2005-2012); Head of Regional Division V East Java (2004-2005) and Head of Regional Division VI Kalimantan (2003-2004). The holder of a Bachelor Degree in Electrical Engineering from Bandung Institute of Technology (1986) and a Master Degree in Telematics from the University of Surrey, UK (1994), was also the Chairman of the Electrical Engineering Alumni Association at the Bandung Institute of Technology for the period of 2009-2013.

He, whose dedication in the telecommunication industry was honored with the Satya Lencana Pembangunan medal from the President of the Republic of Indonesia, was once recognized as a future business leader by SWA Magazine and nominated for Asia Business Leader 2013 by ABLA CNBC.

Muchlis Moechtar
Commissioner

Mr. Muchlis Moechtar has been serving as Telkomsel's Commissioner since May 2012 and his appointment to the Board was based on the GMS' decision letter No.120, dated 24 May 2012.

Prior to his appoinment in Telkomsel, he was Head of Commissioner of Gelora Bung Karno 2009-2011. Between 1994-2009, the holder of a Bachelor Degree in Health and Environmental Engineering from the Bandung Institute of Technology (1971) was served as President Director of PT Tangkas Timbul Fajar (1994-2007), President Director of PT Agro Translestari Nugraha (2000-2003) and President Director of PT Mahardika Era Demi Karya (2003-2009).

He was also active in a number of organizations, where he was once appointed as President of the Indonesia Water Contractors Association (AKAINDO) Jakarta, President of the Bandung Institute of Technology Alumni Foundation Yayasan Alumni ITB, member of Indonesian Society of Sanitary and Environmental Engineers (IATPI) and Specialist Member of the Indonesian Islamic Intellectuals Association (ICMI).

Paul O'Sullivan
Commissioner

Mr. Paul O'Sullivan has been serving as a Commissioner of Telkomsel since January 2010, and currently is serving as SingTel CEO Group Consumer since April 2012. Previously he held a position as Country Chief Officer for the Australian arm of the business (Optus) from the period of April 2012 to April 2013. Prior to that position he also served as Chief Executive Officer of Optus from September 2004 to March 2012.

The holder of B.A. (Mod) in Economics from Trinity College, University of Dublin, Ireland and a graduate of the Harvard Business School's Advanced Management Program, he currently serves as a member of the SingTel Group Management Committee and was a member of the Board of Bharti Airtel, a SingTel Group's India-based joint venture company (2003-2009). Prior to joining Optus, Mr. O'Sullivan worked with the Colonial Group in Australia and held various international management roles at the Royal Dutch Shell Group in Canada, the Middle East, Australia and the United Kingdom.

Priyantono Rudito
Commissioner

Mr. Priyantono Rudito has been Telkomsel's Commissioner since May 2012 and his appointment to the Board was based on the GMS' decision letter No. 120, dated 24 May 2012.

He is also currently serving as Director of Human Capital Management of PT Telekomunikasi Indonesia Tbk. Joining in Telkom since 1991, he has served in various management and marketing positions, including VP for Corporate Strategic Planning (2011-2012) and VP for Marketing & Consumer Care (2007-2011). He has also held several human capital development related positions within Telkom such as Lecturer at the Telkom University (Tel-U), Representative of HR Council for SingTel, Telkomsel & Telkom while serving as a Chairman of FHCI (Forum Human Capital Indonesia) as well as the President of ISCLO Scientific Committee (International Seminar & Conference on Learning Organization).

He holds a Bachelor Degree in Industrial Engineering from Bandung Institute of Technology (1991), a Master Degree in Business (Marketing) (1997) and a Doctoral Degree in Management (2011) from Australia. He was once named Best Achiever at the Telkom Orientation Program (1991) and Best Achiever at several Telkom Leadership Courses: SUSPIM IV (1991), SUSPIM III (2004) and SUSPIM (2006).

Yuen Kuan Moon
Commissioner

Mr. Yuen Kuan Moon has been serving as a Commissioner of Telkomsel since September 2009, and he was appointed SingTel's Chief Executive Officer of Consumer Singapore in April 2012.

Mr. Yuen Kuan Moon is responsible for leading and managing the Singapore consumer business to deliver a complete and integrated suite of services, including mobile, broadband and fixed-line solutions to the consumers. He previously held the position of Executive Vice President of Digital Consumer in SingTel from July 2009 to March 2012.

A graduate in Engineering with a First Class Honors degree from the University of Western Australia and the holder of a Master of Science degree in Management from Stanford University in California, USA (Sloan Program), Mr. Yuen Kuan Moon has a long-established career in the telecommunications industry. Starting his career at SingTel in 1993, he has performed in a variety of functions, including a long-term assignment at Telkomsel as the Commerce Director from 2003 to 2007.

Rizkan Chandra
Commissioner

Serving as Telkomsel's Commissioner since May 2012, based on the GMS' decision letter No. 120, dated 24 May 2012, Mr. Rizkan Chandra has also been the Director of Network, IT & Solution of PT Telekomunikasi Indonesia Tbk since May 2012.

Prior to his appointment in Telkom's Board of Directors, he served as President Director of Sigma, an indirect subsidiary of Telkom (2010-2012), Senior General Manager of Telkom Learning Center (2008-2010) and Telkom's VP for Infrastructure & Service Planning (2007-2008).

The holder of a Bachelor Degree in Informatics from Bandung Institute of Technology (1992) and a Master Degree in Management of Technology from the National University of Singapore (2000) was named the Best Achiever at Telkom Leadership Course in 2006.

Profile of the Board of Directors

Ng Soo kee
Director of IT

Heri Supriadi
Director of Finance

Herdy Rosadi Harman
Director of Human Capital Management

Alex J. Sinaga
President Director

Alistair D. Johnston
Director of Marketing

Mas'ud Khamid
Director of Sales

Edward Ying Siew Heng
Director of Planning and Transformation

Abdus Somad Arief
Director of Network

Profile of the Board of Directors

Alex J. Sinaga
President Director

Serving as Telkomsel's President Director since May 2012, based on GMS' decision letter No. 120 dated 24 May 2012, Mr. Alex J. Sinaga was once appointed as President Director of TelkomMetra, a subsidiary of PT Telekomunikasi Indonesia (Telkom) Tbk that operates as a strategic investment company with focus on areas of Information, Media, Edutainment and Services (IMES). Now, he is also serving as President Commissioner of PT Sigma Cipta Caraka (telkomsigma), Chairman of Indonesian Cellular Telecommunication Association (ATSI), executive member of Indonesia Commerce Chamber (KADIN) for England-Europe in the field of Information, Communication and Technology (ICT).

The holder of a degree in Telecommunications- Electronic Engineering from the Bandung Institute of Technology (ITB) and a Master degree in Telematics from the University of Surrey, Guildford, United Kingdom, has built a 27-year career in Telkom and served various positions, including as an Executive General Manager in the Wireless Division, where he successfully led the CDMA business to be the market leader, as well as the Executive General Manager of the Enterprise Service Division.

He was awarded as The Best Achiever in Telkom Leadership Course (SUSPIM) and also honored with Satya Lencana Pembangunan medal from the Government of Indonesia.

Abdus Somad Arief
Director of Network

Serving as Director of Network Telkomsel since May 2012 based on the GMS' decision letter No. 120 dated 24 May 2012, Mr. Abdus Somad Arief has held various key positions in PT Telekomunikasi Indonesia Tbk including as the Executive General Manager of the Enterprise Service Division (2009-2012), Vice President of Business Development – Enterprise & Wholesale Directorate (2008-2009) and Deputy Executive General Manager of the Enterprise Service Division (2007-2008).

Further, he has been entrusted by Telkom Group to hold several commissioner positions including President Commissioner of PT Pramindo Ikat Nusantara (2011 – 2012) and Commissioner of PT Infomedia Nusantara (2010-2011). At present, he is a commissioner in PT Dayamitra Telekomunikasi, Telkom's subsidiary dealing with tower infrastructure.

Graduated with Bachelor's Degree in Electrical Engineering (1988) and Master Degree in Information Systems and Technology (2000), both from Bandung Institute of Technology (ITB), Mr Arief is active in various organizations. He was elected President of ITB's Electrical Engineering alumni association and Chairman of Askitel, the Indonesia Telecommunication Clearing House Association, both in 2013. He has also participated in a number of executive and leadership courses, among others: Competition Strategy in the Telecommunications Industry (University of Sydney, Australia, 2002), Leadership and Action (University of Michigan, USA, 2008) and Leading Innovation (Massachusetts Institute of Technology, USA, 2009).

Mr. Arief was honoured with Satya Lencana Pembangunan medal from the Government of Indonesia in 2012.

Heri Supriadi
Director of Finance

Serving as Director of Finance of Telkomsel since May 2012, based on the GMS' decision letter No. 120 dated 24 May 2012, Mr. Heri Supriadi is responsible for the overall finance and procurement functions.

Prior to joining in Telkomsel, he was appointed as President Director of PT Telkom Property (2010-2012) and had been dedicated to some important positions in PT Telekomunikasi Indonesia Tbk such as Vice President of Investor Relations and Corporate Secretary (2009-2010), Vice President of Subsidiary Performance (2007-2010), Assistant Vice President of Subsidiary Performance (2007) and Assistant Vice President of Funding and Debt Management (2006-2007). He was graduated with a Bachelor degree in Industrial Engineering from Bandung Institute of Technology (1991) and a Master degree in Business Administration from Saint Mary's University, Halifax, Canada (1997) and a Doctoral degree in Business Management from Padjadjaran University, Bandung (2013).

Edward Ying Siew Heng
Director of Planning and Transformation

Mr. Edward Ying Siew Heng has held the position of Director of Planning & Transformation since May 2012, based on the GMS' decision letter No. 120 dated 24 May 2012. Prior to this, he served as Director of Commerce of the Company in November 2011. He is now responsible for developing Strategic Plans & Transformation.

He has vast leadership experience in telecommunication industry, particularly in the telephony, entertainment and content business across many countries. He previously joined in SingTel as Chief Multimedia Group (2008-2011), where he successfully led SingTel to secure a leading position in the local content, media landscape and Pay TV Business. He was also once the COO of Maxis Communications, Malaysia's largest mobile operator (2003-2008) with primary responsibility to develop the multimedia content business, in particular the content of their mobile business, and as Chief Operating Advisor and a member of the Board of Globe Telecom in the Philippines (1996 to 2003).

In 1995-1996, he served as Managing Director at Cambridge Cable Group Pay TV Business in the UK. He graduated with a degree in Marketing from the Institute of Marketing, United Kingdom (1987), a Diploma degree in Sales and Marketing from the Marketing Institute of Singapore (1985) and attended the General Management Program at the National University of Singapore in 1984 and the International Executive Program at INSEAD, Fontainebleau, France (1996).

Profile of the Board of Directors

Mas'ud Khamid
Director of Sales

Mr. Mas'ud Khamid has been serving Telkomsel's Director of Sales since May 2012, and his appointment was confirmed with the GMS' decision letter No. 120 dated 24 May 2012. He also serves as Executive General Manager of Telkom's Flexi Division and President Commissioner of PT Metra Digital Media (MD Media).

Prior to joining in Telkomsel, he was trusted to serve various positions in PT Telekomunikasi Indonesia Tbk, such as in Network, Corporate Customer, and Cellular CDMA Divisions. He was also a member of Board of Commissioners of PT Dayamitra Telekomunikasi (Mitratel) in 2009-2012.

The holder of Bachelor Degree in Physics (Instrumental and Control) from Surabaya Institute of Technology of 10 November (1989) actively participated in both local and international training programs, among which were the Kellogg Senior Executive Program in Bangkok (2006) and the Kellogg Advanced Senior Executive Program at Northwestern (2009). He is also a golf enthusiast who has won several awards, such as Best Outperforming Division II (2010) from Telkom's Consumer Director and Indonesia Brand Champion from Markplus Insight (2011).

Ng Soo Kee
Director of IT

Serving as Telkomsel's Director of IT since May 2012 based on the GMS' decision letter No. 120 dated 24 May 2012. Mr. Ng Soo Kee has already built 37 years of professional career in the Information Technology (IT) industry, including 13 years as CIO in various telecommunication companies in Belgium, the Philippines, Australia, Singapore and Indonesia.

He held various engineering positions at Singapore Telecoms (1975-1984). He was then appointed as a member of the IIPL–Telecoms Commercialization Task Force (1988), Manager (Customer Service Applications) at Singapore Telecoms (1989), Division Manager (Network Services/IS Plan and Product Development) at Singapore Telecoms (1992), and Division Manager (Mobile Computing Support) at Singapore Telecoms (1994).

The holder of Bachelor degree in Electrical Engineering from Taiwan National University (1970) and a Master degree in Computer Engineering from the University of Manchester, United Kingdom (1972), then joined in Belgacom, Belgium, as Assistant to CIO (1996), CIO of Global Telecoms, the Philippines (1998), Project Director (Pegasus) at SingTel Singapore Operations (2000), Head of Information Systems-Consumer at SingTel Mobile (2001), CIO at SingTel Optus (2004) and CIO at SingTel Singapore (2007).

Alistair D. Johnston
Director of Marketing

Serving as Telkomsel's Director of Marketing since August 2012, based on the GMS' decision letter No. 429 dated 26 July 2012, Mr. Alistair D. Johnston has also been appointed as SingTel's Director International since June 2012.

The holder of a Degree in Modern History from Oxford University, UK, initially built his professional career at Andersen Consulting. Yet, his career in the telecommunications industry was started in 1998 when he joined in the Virgin Group in the UK, Australia and Singapore.

Mr. Johnston also once held various senior positions at British Sky Broadcasting, UK (2003-2004), at Orange UK (2004-2007), at Telefonica O2, UK (2007-2010), where he served as Head of Prepay and Head of Online and Marketing Director, and and as Group Chief Marketing Officer at Augere, Dubai, (2010-2012).

Herdy Rosadi Harman
Director of Human Capital Management

Serving as Director of Human Capital Management of Telkomsel since May 2012, based on the GMS' decision letter No. 120 dated 24 May 2012 Mr. Herdy Rosadi Harman plays the key role in building the GREAT People.

The Law graduate from University of Padjadjaran Bandung and the holder of LLM degree from Washington College of Law, American University, Washington DC, USA, who also attended MBA Bandung/Asian Institute of Management Philippines, built his career at Telkom where he served as Human Resources Manager. He also involved in the Telkom's IPO process on NYSE. He has already had vast experiences in many areas of work, including in Logistics, Investor Relation, CEO Office, Legal and Regulatory Affairs. Currently, he also serves as Commissioner of PT Telkom Indonesia International.

In addition, he actively engages in various IT-related organizations/associations, such as Indonesia Chamber of Commerce and Industry (KADIN) and The Indonesian Telecommunication Society (MASTEL) where he is the Secretary General of the association as well as serves as Supervisory of Indonesian Cellular Telecommunication Association (ATSI). He was once Chairman of Telecommunications Interconnection Clearing Association (ASKITEL). Besides, he is also a speaker in variety of events presenting topics about Law and Regulation of Telecommunication, State Owned Enterprises, and IPO.

Company's Profile

We Strengthen the Synergy for Business Sustainability

We have laid strong foundation to achieve a solid and highly competitive business management through leveraging the strength of our parents, Telkom and SingTel, as well as non-group partners.

Telkomsel in Brief

Telkomsel is a leading cellular operator in Indonesia, which serves more than 130 million customers, thus representing around 52% amongst big 3 cellular operators at the end of 2013.

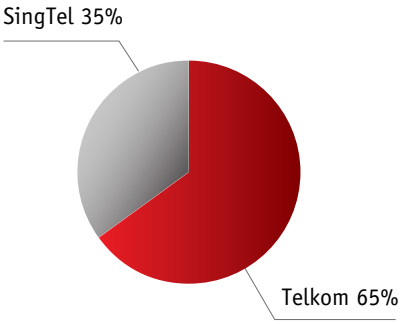
Operating since 1995, Telkomsel is the subsidiary of PT Telekomunikasi Indonesia Tbk (65%) and Singapore Telecom Mobile Pte Ltd (35%). We have consistently deployed more than 1,000 Base Transceiver Stations (BTSs) every month in 2013, of which 70% were 3G-based BTSs installed in around 300 cities nationwide. Now with almost 70,000 BTSs and more than 4,700 employees operating in 11 regions in Indonesia, our services can cover the need of 95% of Indonesian population for telecommunication service.

To grow our digital business, Telkomsel continuously invest in the latest technology to support better deliverence of products and services to our loyal customers. We have successfully conducted our LTE trial during 25th APEC Summit in Bali that shows our readiness in facing new technology.

We are committed to relentless innovations in terms of products and services which finally position us as the leader in mobile digital lifestyle today. With 60 million data enabled users and increasing smart phone adoption has opened up infinite opportunities in the digital space for Telkomsel. Consumers use their mobile devices for entertainment, digital payment and digital VAS in their daily activities. Telkomsel is well positioned to capture these opportunities by harnessing products and services that creates complete digital experience for every customer in Indonesia.

Riding on the digital wave, we also see great opportunities in digital advertising by delivering premium and targeted hyperlocal advertising opportunities from our extensive mobile footprint across Indonesia.

Share in the Company



2013 was a continuous transformation process for Telkomsel which focus on 4 areas: business, organization, people and culture. The transformation has started to bear fruit for us, which was evidenced in higher digital business contribution (around 20% of total revenue), successful implementation of end-to-end digital business organisation and greater area empowerment by relocating 70% of key employees to area to better able to capture business opportunities and adapt to changing market dynamics.

For the employees, we implemented GREAT values to lead us to GREAT innovation and to sustain Telkomsel as a GREAT company.

We continued to deliver great customer experience through bigger customer touch point (Mobile GraPARI), improving channel and distribution and revamping customer loyalty.

Our strong commitment to deliver the best quality of products and services were given due recognition from market and prestigious institutions both locally and internationally.

Share Ownership History

1995	Telkomsel was established by Telkom and PT Indosat
1996	KPN Netherlands (KPN) and PT Setdco Megacell Asia (Setdco) acquired stakes in Telkomsel of 17.3% and 5%, respectively.
2001	Telkom increased its ownership to 77.7%, in an acquisition deal over Indosat's shares. KPN and Setdco sold their shares to Singapore-based SingTel Mobile.
2002	SingTel increased its ownership by 12.7%, bringing its total ownership in Telkomsel to 35% and leaving Telkom's ownership at 65%.

Main Products and Services

kartuHalo

Positioned as the postpaid brand of choice amongst the professionals and corporate customers segments. kartuHalo provides an unparalleled suite of full mobile services and exclusive privileges.

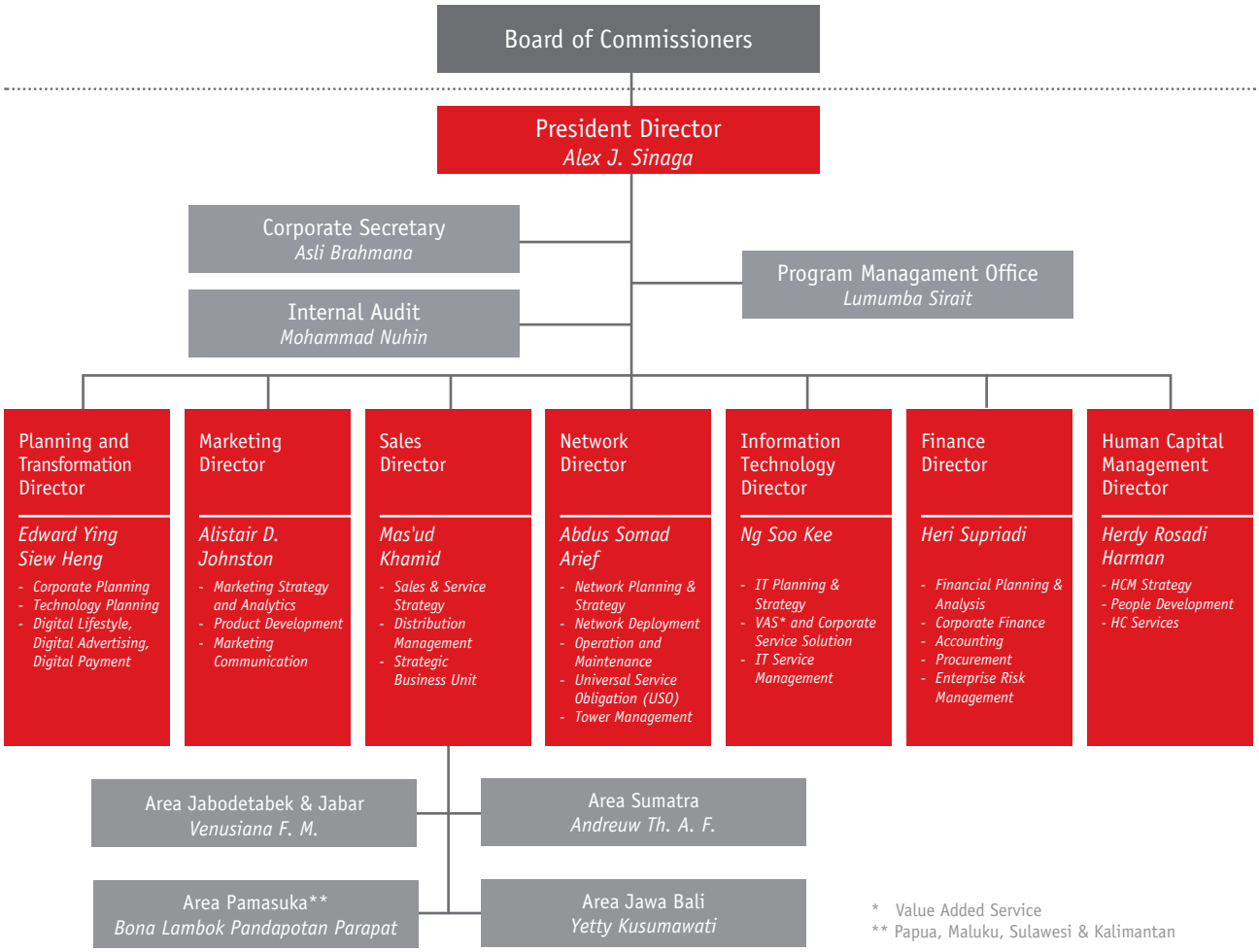
simPATI

Positioned as the prepaid brand, design for savvy middle class segments, *simPATI* is Telkomsel's award winning lifestyle prepaid brand. In 2013, *simPATI* continued to offer an exciting range of innovative packages and campaigns to drive demand for mobile data.

Kartu As

With more than 70.3 million users in 2013, Kartu As is Telkomsel's most popular prepaid brand which offers the best value.

Organizational Structure



* Value Added Service
** Papua, Maluku, Sulawesi & Kalimantan

Milestone

1995

- Telkom and PT Indosat established Telkomsel.
- The launch of the kartuHalo postpaid service.

1997

- Offering mobile telecommunication services to all 27 provinces.
- The launch of *simPATI* Nusantara as the first prepaid service in Asia.

2002

- Kicking off mobile data services, including WAP over GPRS (General Packet Radio Services), MMS (Multimedia Messaging Services), and content services.

2003

- The first commercial launch of international roaming services to Indonesian prepaid customers.

2008

- Becoming the Pioneer in renewable energy powered BTS in Asia.
- The launch of Indonesia's first mobile voice and data services for PELNI ships on the open ocean.

2009

- The launch of HSUPA (High Speed Uplink Packet Access) broadband network based services.
- Kicking off Desa Dering Program to provide telecommunications access for over 25,000 villages.

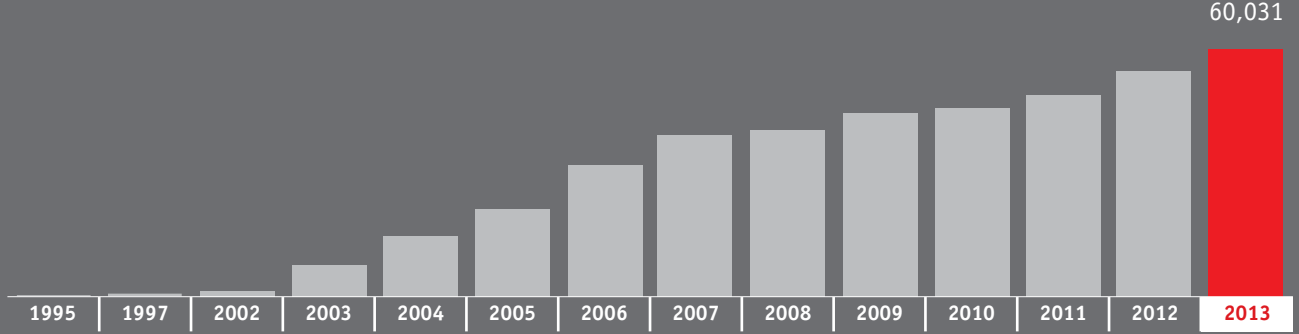
2010

- The first trial of the implementation of Long Term Evolution (LTE) network broadband technology in Indonesia.
- The introduction of Indonesia's first Mobile Newspaper services.

2011

- Breaking the target of 100 million subscribers which positioned Telkomsel as the world's seventh largest telecommunication operator by customer base.
- The inauguration of the Indonesia's first Research & Development Facility for cellular technology.
- The introduction of Tap Izy, the Indonesia's first mobile contactless payment system that turns mobile phone into an electronic wallet.

Revenue (in billion)



2004

- The introduction of a secure mobile-to-mobile prepaid top up system.
- Joining in a regional mobile alliance (Bridge Alliance) for enhanced customer benefits.
- The launch of Kartu As prepaid service.

2005

- The Call Center acquired ISO 9001:2000 certification.
- The launch of Mobile Banking ATM services.

2006

- The launch of 3G network and services, the first in Indonesia.

2007

- The introduction of push email services.
- The roll out of HSDPA (High Speed Downlink Packet Access) and Telkomsel Flash service
- The launch of TCash to facilitate mobile financial transactions.

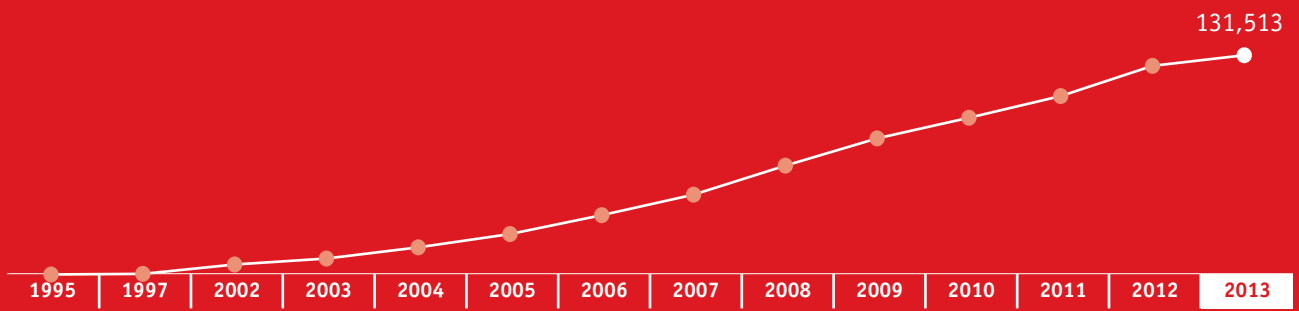
2012

- The introduction of the first Seamless Mobile Wi-Fi to Indonesian customers for transferring automatically from a 2G/3G network connection to a Wi-Fi network to access high-speed data.
- Breaking the number of 125 million customer base, which secured Telkomsel's position as the nation's largest licensed cellular provider by customer base.

2013

- The launch of Masterpiece, a program that included 268 units of mobile GraPARI, the establishment of 268 mobile Broadband Cities, 68 applications from local developers to support the development of digital creative industry.
- The launch of 450 units of Compact Mobile Base Station (COMBAT).
- Successful LTE trial during APEC 2013.
- Breaking Rp60 trillion in revenue.

Subscribers (in thousand)



Business Review

Dedicating Our Relentless Effort to Deliver You the Best Experience of Life

We enhance customers' digital experience through continuous innovations in our digital business, improvement in access to products and services, and the development of one stop broadband services by launching the MyTelkomsel application.

Vision and Mission

Vision

Be a world-class, trusted provider of mobile digital lifestyle services and solutions.

Mission

Deliver mobile digital services and solutions that exceed customers' expectations, create value for our stakeholders, and support the economic development of the nation.

Brief Corporate Strategy

Telkomsel is significantly growing its broadband business amidst slower growth in the legacy services (voice and SMS). As market leader, Telkomsel strives to seize the opportunities and continues to capture robust growth in broadband and digital service markets.

In line with this market dynamic and consumers' demand for mobile services, Telkomsel has set the vision of the Company to become a "world-class trusted provider of mobile digital lifestyle services and solutions"; with the mission "to deliver mobile digital services and solutions that exceed customers' expectation, create value for our stakeholders, and support the economic development of the nation".

Furthermore, Telkomsel has set a 5-Year Corporate Strategic Plan to sustain the business growth in long-term period. As part of corporate strategy, Telkomsel has formalized 5 growth strategies, which include exploit the legacy business, strengthen core business (data), and trigger the digital services ecosystem. These growth strategies have been expanded to 10 strategic initiatives that cover all aspects required for the realization of the objectives.

Telkomsel has also set ambitious Triple-3 goals (revenue growth by 33%, digital business contribution 33%, enterprise value Rp300 T) within 3 yearly milestones that will strengthen company's position and market value in 2015, especially in the mobile broadband and digital services markets. In its 1st Triple-3 milestone year (2013), Telkomsel was on the right track to achieve the goal with double-digit YoY revenue-growth achievement and significant revenue contribution from data and digital services. To continue the momentum, Telkomsel has created a Smart Year theme for the 2nd year milestone (2014) including three masterpiece programs i.e. Youth Engagement, Customer Relations Management, and Machine to Machine.

In additions, Telkomsel is in the middle of a transformation to Telkomsel 2.0 to capture the opportunities arising from digital space: transformation in business, organization, people and culture. Telkomsel established a Program Management Office (PMO) organization in an effort to ensure the execution of transformations is on track.

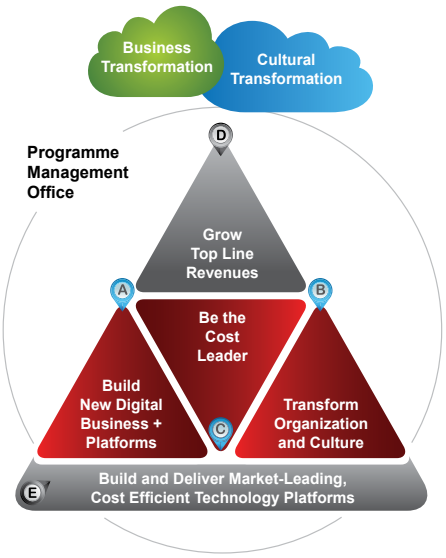
The Company is now implementing THE TELKOMSEL WAY, as part of a corporate culture that consists of three fundamental parts. The first foundation is "Philosophy to be the Best", which is implemented through the five aspects of GREAT values (InteGrity, Respect, Enthusiasm, LoyAlty, and Totality). The second foundation is "Principle to be the Star" by implementing 3S (Solid, Speed, and Smart). And the third foundation is "Practices to be the Winner in 3G" (GREAT People, Great Strategy, and Great Innovation). By upholding and applying these philosophies, Telkomsel is on its way to becoming Great Company and continuing to win.

Transformation Program

In 2012, Telkomsel launched a transformation program to ensure the successful execution of its growth strategy, called Telkomsel 2.0, which represents Telkomsel's commitment to transform our business, organization, people and culture to meet the strategic objectives and to anticipate the dynamic shift in the market. Telkomsel aims to continue to win in broadband and digital service market to offset the slowing growth in legacy voice and SMS, and to capture the wider opportunity in broadband and digital services by delivering solutions to provide customer experiences and to exceed customer expectations.

Telkomsel 2.0 consists of transformation in Business with DNA (Device-Network-Application) ecosystem, as well as transformation in Organisation, People and Culture, emphasizing on collaborative innovation and a series of strategies focusing on service excellence, cost leadership, business expansion, innovation, strategy and partnership. To ensure its success we are leveraging the synergy with Telkomsel's parents, Telkom and SingTel, to create sustainable competitive growth and to make Telkomsel as a center of excellence in Digital business.

DNA is our core transformation in the broadband and digital business, enhancing innovation and quality in delivering services and digital business to customers, and leveraging customer experiences in Indonesia. We also established partnerships with major international and local smart phone device and tablet manufacturers to drive smart phone adoption in Indonesia. We continue to be the leading network supply in 3G network investment, driving internet education and strengthening our content applications.



In 2013, we built a strong foundation in digital business by forming a new organization, the Program Management Office, to ensure that the transformation process is on track. We believe that the success of transformation is reflected from the achievement in digital business in 2013, by contributing close to 20% of our total revenue with robust growth of 35% YoY, and increased data users to 46% of our total customers. In People and Organization, the Company has successfully transformed end to end digital business organization and empowered areas to capture market opportunities in the legacy and digital business.

Through PMO, we monitored the transformation by focusing on these 5 approaches, building New Digital Business, transforming Organization and Culture, practicing Cost Leadership, rising Topline Revenue and delivering newest yet cost-efficient Technology Platform.

Successful execution of the transformation program will ensure that Telkomsel is able to sustain its competitive edge within the telco industry in Indonesia and maintain sustainable growth in the long run.

People, Culture, and Organization Transformation

Business transformation is an integral part of the transformation in the areas of People, Culture and Organization. To exploit business opportunities in the area/region as the business environment moves towards the digital business, organizational transformation is focused on the formation of end to end digital business and area empowerment to be a more agile and adaptive organization.

In Culture, we focus on internalizing the new corporate values that are THE TELKOMSEL WAY.

The three belief systems of THE TELKOMSEL WAY:

a. Philosophy to be the Best through GREAT (inteGrity, Respect, Enthusiasm, loyAlty, and Totality). In facing market dynamics and changing business and organization, The GREAT Values serves as the common foundation for over 4,700 of our people across Indonesia to ensure business sustainability.
b. Principles to be the Star through 3S (Solid, Speed, Smart). We instill this working spirit by reinforcing high performance culture through performance-based reward system and fostering innovation culture.
c. Practices to be the Winner through 3G (GREAT People, Great Strategy, Great Innovation).

Masterpiece 2013

Throughout 2013, we successfully implemented a few key Masterpiece programs in products, sales and infrastructure, such as:

Mobile GraPARI Indonesia - 268 units

Telkomsel launched the Mobile GraPARI program on August 23, 2013. The program was designed to provide one-stop mobile solutions including product sales, handset bundling, digital services, internet education and also customer care to Telkomsel's customers all over Indonesia especially in rural and untapped areas. This program was in line with the national economic agenda to develop stronger national connectivity using Information and Communication Technology (ICT).

Out of the 268 Mobile GraPARI, 60 units were deployed in Sumatera, 43 units in Greater Jakarta and West Java, 59 units in East Java and Bali/NTT and 106 units in Kalimantan, Sulawesi and Papua.

The Mobile GraPARI program shows Telkomsel's commitment as "The Most Indonesian" *(Paling Indonesia)* operator.

Mobile Broadband Indonesia - 268 cities

The program was to support economic development through the widening of broadband access service to cover all cities and regencies in Indonesia by 2014 and to support the growth of the national creative industry. Telkomsel's Broadband City program enables the infrastructure that supports broadband-based applications in the financial, entertainment, health, education, trading, agricultural and other sectors. This was in line with the Government's Program to provide broadband service to about 30% of the regions in Indonesia.

Digital Creative Indonesia - 68 applications/Content

During 2013, Telkomsel launched Digital Creative Indonesia with the aim to help local apps developers in Indonesia to market their products both nationally and internationally.

The 68 applications and content were mostly in edutainment, social media, lifestyle, games, utilities, information, entertainment and e-commerce. The apps and content were available for download through BlackBerry, Android and Symbians.

This is in line with the development of the DNA ecosystem and realizing the vision of 'Local Go Global Apps'. With more than 131 million customers, established distribution and media channels and strong network infrastructure, we are energizing Indonesia's digital creative industry.

Cost Transformation

Our EBITDA and NPAT margin depicted operational efficiency from time to time we try to maintain and improve our cost structure by comparing our performance to the peers. In 2013 Telkomsel did international benchmarking, aiming to measure our position and to find rooms for improvement. Our Cost Transformation strategies fall into categories efficient design in our infrastructure, efficient lean business process and using economic of scale for having economic supply.

For Telkomsel, to sustain its competitive edge is not only achieved through transforming its products and services, but also from transforming its cost competitiveness. As the largest cellular operator in Indonesia, we are well positioned to drive our cost by leveraging on achieving economic of scale from our large network and subscriber base.

The implementation of 3rd carrier in 2013 gave us better BTS capacity management especially for those sites with very high utilization as with 3rd carrier we can utilize the existing sites in the vicinity instead of deploying a new BTS (splitting cell). In 2013, we deployed 3,400 3G 3rd carrier Node-B.

From time to time we also improve in many processes, so we can build our infrastructure more efficiently and delivered our service better. In 2013 Telkomsel was doing international benchmarking. Through our benchmark we believed that by efficient design, lean business process and also achieve economic of scale are gave us cost saving in our operation. We plan to continue to improve our cost transformation initiative to sustain our competitive position and to ensure our ability to support our leading network while keeping business performance excellent.

Marketing and Sales

Our Marketing and Sales strategies are to maintain the positioning of our leading brands, products and solutions and to ensure that they are still the products of choice in their respective segments: Prepaid, Postpaid or Data Services.

To do this, in 2013 we strengthened our Marketing Communication to build awareness and top of mind for each brand positioning through mass media campaigns. Below are our targets for the brand positioning:

- **kartuHalo**, positioned as the 'Most Preferred Postpaid Brand'.
- ***simPATI***, positioned as the 'Prepaid Lifestyle Brand' for high value prepaid customers.
- ***simPATI* Loop**, positioned as the 'Medium of Expression to be Better Together' for youth segment.
- **Kartu As**, positioned as an 'Affordable, Value Prepaid Brand' .
- **Kartu As PlayMania**, positioned as an 'Affordable Provider of Joy and Knowledge' for kids.
- **Telkomsel Flash**, positioned as the 'Most Reliable Broadband Internet Service' for data users.

We prepared different marketing and communication strategies for each brand to meet the objectives in an efficient and effective manner. To support the legacy and broadband businesses we set out various marketing campaigns in 2013 for both the legacy and broadband businesses.
Our aggressive marketing campaigns for the core products led us to gain significant performance in terms of broadband penetration, subscriber base and revenue growth.

Telkomsel provides its telecommunication services all over Indonesia and covers more than 95% of the country's population. Telkomsel's well diversified business geographically is important in an effort to sustain the Company's market position in the industry. Diversification also allows the Company to have stronger and more stable revenue streams.

Our main brands, kartuHalo, *simPATI* and Kartu As, succeeded in maintaining their market leadership both in postpaid and prepaid segments. The significant performance of these three products enabled us to maintain our position as the operator of choice. At the end of 2013, total subscribers reached 131.5 million, an increase of 5.1% (or net add of 6.4 million) from last year.

Telkomsel's Revenue Contribution

	2012	2013
Legacy Business	84%	80%
Digital Business*	16%	20%
Broadband	14%	18%
Digital Service	2%	2%
Total	100%	100%

*) Digital Business consists of Broadband and Digital Service

kartuHalo

Reaching 2.5 million subscribers and dominating the postpaid market share and brand, kartuHalo recorded subscriber growth of 15.8% during 2013. The product is better positioned among the high-value customers as we consistently improve our service quality to give them the best and more personal experience.

To retain the loyalty of kartuHalo customers, we launched some promotion and campaign programs, among which were New Halo Fit Package, Voice Tariff Simplification, kartuHalo Family, kartuHalo Multi-Line, Year End Special Voice & SMS Package, International Rezoning Tariff and Network Agnostic.

simPATI

Our *simPATI* brand is designed to meet the needs of the middle market segment. In 2013, Telkomsel's award-winning premium prepaid card launched a range of special packages and campaigns to boost mobile data demand among the growing number of digital lifestyle users, including university students and young executives. Throughout the year, *simPATI* also launched a number of loyalty and retention programs through various campaigns on recharge and usage bonus programs.

These programs had showed positive results as *simPATI* subscribers grew significantly of 12.0% YoY to 59.7 million. We also launched *simPATI* Loop, a sub brand that targets the youth segment.

***simPATI* Loop**

With its colorful and fun design, *simPATI* Loop was launched in April 2013 as a special starterpack catering to the Youth segment. *simPATI* Loop offers attractive data, BlackBerry, SMS and digital services.

The existence of *simPATI* Loop is expected to strengthen Telkomsel's position in the youth segment and maintain its domination in the prepaid market.

Kartu As

In 2013, our prepaid brand for the mid-low segment, Kartu As, remained a favorite brand with its subscriber base stable at 69.3 million. Key programs launched in 2013 were 'Recharge Bonus Gokil', 'Jagoan Serbu Double Kuota' and a number of SMS tariff bonuses.

Kartu As PlayMania

The New Kartu As starterpack was launched in Q2 2013 to meet the needs in the children's segment. The starter pack provides attractive offers and an emergency call service among other offers.

Telkomsel's postpaid and prepaid products are well perceived and in 2013 obtained many awards, among which were:

ICSA
- kartuHalo – Postpaid SIM Card
- *simPATI* – Prepaid SIM Card

Top Brand Award
- kartuHalo – Postpaid SIM Card
- *simPATI* – Prepaid SIM Card

Indonesia Best Brand Award
- Best Brand for GSM SIM Card

Marketing and Sales

Mobile Broadband Services

With the growing demand for quality mobile data services along with more advanced devices, such as smart phones and tablets at affordable prices in the market, we developed a set of strategies to target different segments and regions through the channels of our main brands, Kartu As, *simPATI* and kartuHalo. Our commitment to provide the best quality data access nationwide continued in 2013 through the deployment of high capacity broadband infrastructure. We succeeded in meeting the target of developing 300 Broadband Cities in 2013.

At the end of 2013, Telkomsel's total data users increased 10.8% to 60.5 million, or 46% of total customers. Accordingly, broadband and digital services' contribution to revenue increased to 20% in 2013 from 16% last year. The contribution from broadband is expected to increase further in the future given the key programs that we are implementing on the D-N-A platform and education to create awareness among customers and trigger digital services.

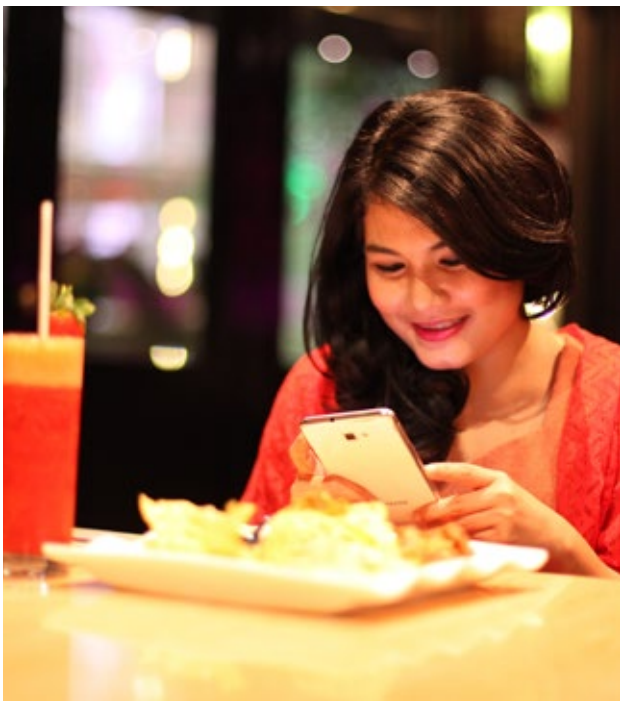
Telkomsel Flash

Several strategies were introduced to drive data sales in selected regions, among which were by re-pricing tariffs, adding bonus quotas and driving 3G handset penetration. The new regional pricing strategy applies the dynamic USSD Menu Browser (UMB), a tool to serve data to customers. In the meantime, our marketing programs to accelerate the mobile data demand in 2013 included:

1. **The launch of MyTelkomsel application**
   MyTelkomsel is a mobile application that offers a one stop service for mobile broadband users, particularly of tablets and smartphones. MyTelkomsel ensures a better customer experience with a reliable broadband network as users can view their profiles on a real time basis as well as other value added features which are only available to kartuHalo users.

2. **New Pulsa Internet**
   The pulsa internet program which was first introduced in 2012 was enhanced in 2013 as customers could buy data packages by purchasing and activating Pulsa Internet, without accessing the USSD Menu Browser (UMB).

3. **Online Holic**
   The Online Holic package ensures a better online experience as it offers a large quota to heavy data users and those who use a modem connected to a big screen. The Online Holic package also targets online gamers.



We also launched an innovative feature called Usage-Alert by SMS. The feature notifies users whenever they reach a certain quota.

BlackBerry Service

Our BlackBerry service showed strong growth in 2013 with its subscriber base growing 31.1% from 5.8 million to 7.6 million. We noticed an impact on customer base growth once BlackBerry launched the open platform in late 2013. However, we are striving to maintain the competitiveness of our BlackBerry packages in the market.

Telkomsel's broadband products and services are well perceived and in 2013 obtained a number of awards, including:

Frost & Sullivan Indonesia
- Mobile Broadband Service Provider of The Year

SWA - Word of Mouth Marketing
- Telkomsel Flash – Mobile Internet Service

Top Brand Award
- Telkomsel BlackBerry Service Provider

Broadband - Product and Services		
New Pulsa Internet Telkomsel	**Flash Ultima (Volume Base Service)**	**Samsung Data Plan**
Enhances the customer experience by allowing subscribers to purchase pulsa through MKIOS in all Telkomsel retail outlets.	Offers a superior mobile data user experience with high internet speed and stable data access.	Exclusive Samsung smart phone data packages that include free access for BBM Android.
Apple iPhone Data Plan	**Online Holic**	**Nokia Data Plan**
Exclusive data packages designed for Apple iPhone & iPad users.	Attractive package that offers generous free mobile data for internet surfing after midnight.	Exclusive data packages designed for Nokia ASHA & LUMIA smart phones users.
New BlackBerry Sosialita	**MyTelkomsel Application**	**BBM Live on Flash for Android and iOS**
Best value BlackBerry package for the socially connected. Includes free access to popular social network applications, BBM, internet surfing & video streaming.	MyTelkomsel is a mobile application and a one stop service to meet the challenges of current broadband customers' needs, especially for users of tablets and smart phones.	Along with the launch of the latest innovation in the form of "BBM Cross Platform" that provides a mobile messaging service for BlackBerry, iOS, and Android, Telkomsel also launched a package to support this: "BBM Live on Flash for Android and iOS".

Digital Services

Our strategy in 2013 was to support the realization of the Company's objectives of growing the digital services and strengthening our presence in the broadband business.

In 2013, revenue contribution from digital services was 1.9%, increasig 0.3ppt from 1.6% last year. The key 3 pillars of digital services are digital lifestyle, digital advertising and digital payment, designed to help trigger the growth of the digital ecosystem in Indonesia. To further strengthen the digital services foundation, we launched a few key programs in 2013 such as games, entertainment, relaunching digital advertising and growing functional digital services.

Digital Lifestyle

Digital lifestyle provides attractive content that can be downloaded by our customers. Telkomsel helps to promote and develop the creative mobile content industry through engagement between Telkomsel, developers and device manufacturers. Our campaign activities included promotion of mobile applications, mobile games, video, music, social applications and provision of news, utilities and lifestyle. In 2013, Telkomsel launched 68 local applications at the 68th anniversary of the Republic of Indonesia, and delivered more than 2,000 mobile games. Going forward, in line with the growth in smartphones, we anticipate a shift in digital lifestyle products and applications from feature-phone based to smartphone based. Despite that, feature-phone users will still be a big part of Telkomsel's customer base, and we will continue to roll out relevant content and applications for these customers.

Marketing and Sales

Digital Advertising

Digital Advertising is still considered relatively new in Indonesia. However, Indonesia's online digital landscape is very rapidly gaining traction. Companies are embarking new ways to market their products and services, especially Mobile Digital Media. This is clearly evidence in Year on Year growth in Digital Advertising revenue.

Our Digital Advertising team will continue to innovate in delivering new mobile advertising opportunity such as Targeted Messaging Service, Location Based Advertising Services (LBA), Interactive Messaging Service (SMS and MMS), Video Messaging Services and Banner Display.

Digital Payment and Mobile Banking

Telkomsel positioning in mobile commerce is to be the largest mobile financial service provider in Indonesia. The company is currently building a comprehensive ecosystem of mobile banking and digital payment to capture consumer's needs and to extend the services to become consumer's lifestyle.

In digital payment ecosystem, Telkomsel is partnering with both financial and non-financial institutions by utilizing advanced and new proximity technology, for instances: Near Field Communication (NFC) and Quick Response (QR) code. This is in line with Telkomsel's aspiration to deliver best customer experience and satisfaction in digital payment, which also to strengthen Telkomsel e-money service (T-Cash) to become prominent source-of-fund. Telkomsel is also developing a robust and secured wallet platform to offer more value added services including simplified, convenient, and secured processes. Additionally, Telkomsel is exploring mobile point of sales (MPOS) business to have extensive role as payment service provider.

Furthermore, Telkomsel is working together with major banks (BRI and Bank Mandiri) as well as other telecommunication companies to reach the un-banked society through branchless banking program and empower them with financial access, which is aligned with government's program of financial inclusion. Last but not least, Telkomsel is also continue to improve mobile banking services to ensure and enhance customer experiences.

Digital Services - Mobile Games & Entertainment

TELKOMSEL DIGI LIFE

Dunia Games

DUNIA GAMES *900# duniagames.co.id

A Telkomsel portal that offers a variety of games for smartphone and feature phone users by accessing *900# or m.duniagames.co.id. Games are available for purchase using Telkomsel's recharge voucher.

Facebook Games Credit

A service that allows the customers to purchase Facebook games coins using Telkomsel's recharge voucher instead of charging on their credit card.

Video500

VIDEO 500

A mobile video service accessible through smartphone as well as feature phone handsets at the price of Rp500 per video without paying for GPRS cost.

Kota Games

A service that allows the customers to purchase in-app feature/virtual coins of a games on kotagames.com

The service enables customers to buy a daily pass. Using the daily pass, the customers can play the games without worrying about GPRS cost.

UPoint

U POINT

A payment gateway service for purchasing game credit or online games wallet top-up using Telkomsel's recharge voucher.

UseeTV

Usee TV Mobile Primetime

A mobile streaming service for the customers to watch box office movies and TV broadcasts in High Definition quality.

Digital Services - Mobile News, Directory and Utilities

Spin

A paid, high-speed WiFi service from PT Telkom Indonesia, which can be paid for using Telkomsel vouchers.

SMS Pro

An added value for the existing SMS service, where customers can choose Auto Reply (automatic SMS reply), SMS Copy (Copying the SMS onto the other number), SMS Divert (diverting the SMS to other number), and blocking SMS from certain numbers.

Bubbly & Bubbly Talk

Bubbly is a microblogging service to post blog in the form of voice.
Bubbly talk: a social service that will send voice messages to other Telkomsel's numbers in practical way.

Indobooks

An application that facilitates magazine and digital newspaper reading, accessible from Android-based devices.

Qbaca

An e-Book application to encourage digital book reading, available as both paid and free services. For those who are interested in purchasing the paid books, they can use Telkomsel's recharge voucher.

SMS Gift

A service for the customers who want to ask or send SMS package from/to other customer.

Call Me

A service that allows the customers to ask their friend/relatives to call them, particularly in an emergency situation, such as when a prepaid customer needs to top up.

*500#

A UMB service that contains digital lifestyle content and services, such as: KPop Seru, SMS Dahsyat, Mom and Kids, SelebAsik, Game1000, NSP/Langit Musik, and Zona Seru.

Digital Services - Digital Music

LangitMusik

With more than 1,000,000 songs in the library, the music service is available for download on a legal basis from WEB, desktop, BlackBerry as well as Android. The customers can enjoy streaming or download by purchasing a subscription package and posting it to their Facebook or Twitter accounts.

NSP1212

A service for Telkomsel's customers to enjoy Ring Back Tone (RBT/NSP).

Digital Services - Portal and Social Media

Zona Seru

A service with a variety of applications on sale for various types of handsets. Users can also purchase for applications and subscribe through UMB, WEB, WAP, ODP and SMS.

BlackBerry AppWorld

A portal that offers games applications and content for the users of Research in Motion's BlackBerry. Telkomsel's customers can purchase any of the applications using Telkomsel's recharge voucher.

PicMix

A special photo editing tool that enables users to mix some photos into one frame, adjust and add some effects on them then upload them to their social accounts, such as Twitter, Facebook, Google+.

Windows Market Place

A games and content application sale service for any device using Microsoft's Windows Phone.

Jepret

A photo editor application for featured Nokia phones, which is completed with sharing feature via social media.

Opera Mini

An unlimited internet package with certain quota limit for accessing internet service and applications on social media using handphone.

Yahoo Messenger

A subscription service to facilitate access to Yahoo! Messenger features through SMS.

Nexian Messenger

A subscription service to facilitate access to all features and content applications on Nexian Messenger service (valid only for Nexian phone users).

Marketing and Sales

Corporate Business Solutions

Our Corporate and Community Account Management (CCAM) sub directorate is responsible for the management of the corporate and SME customer accounts. We currently serve more than 8,000 companies nationwide. By sector, the biggest contribution to the revenue and customer base growth was from the Manufacturing sector (18%), followed by Finance & Banking (15%) and General Trading (13%). We also saw significant growth in market demand for M2M solution. Our evolving D-N-A (Device, Network and Applications) ecosystem will place us in a strong position to develop these growth opportunities into viable revenue streams.

Our commitment to the enterprise customers of the Corporate and Small and Medium Enterprise (SME) segments is to provide stable and end-to-end communications solutions to help them achieve higher efficiency, productivity and competitiveness. In that case, we consistently improved our Corporate Business Solutions which set focus broadly on the following needs:

- **Business Mobility**
  The combination data and SMS solutions (GPRS/EDGE/3G/HSDPA/HSPA+) allow our corporate customers to access to company data on a mobile yet secure and cost-effective basis. Business Mobility solutions include Push Email, Sales Force Automation and Intranet Application Access.

- **Wireless Connectivity**
  To support our corporate customers' needs for more flexibility in a remote working environment, we provided them with wireless connectivity solutions, among which were Mobile ATM, Mobile EDC, Mobile Tracking & Fleet Management, Telemetry Application and Small & Remote Office Connectivity.

- **Business Leveraging**
  We introduced Business Leveraging solutions, such as SMS Service, NSP1212 for Corporate, Mobile VPN, Fixed Wireless Connectivity, Telkomsel Cash (T-Cash), Telkomsel Flash, and Telkomsel Enterprise Hosting Service (Business Connect), to facilitate business optimization. Mobile VPN was one of our top products, which drove the customer base and revenue.

Community Management

Telkomsel recognizes that approaching communities and getting engaged with those communities are essential for the success of marketing campaigns, particularly in youth segment. The Corporate and Community Account Management (CCAM) sub directorate is responsible for securing our position in the corporate and SME segments as well as community management. The community management is focused on three general segments:

1. Telkomsel School Community or TSC (12-19 year-olds).
2. Telkomsel Mobile Campus or TMC (19-24 year-olds).
3. Organic Communities, including groups of people with similar hobbies, professional organizations, women, lifestyle groups, non-profits, religious groups, etc.

The launch of *simPATI* Loop in April 2013 was an achievement which better positioned us among the youth segment. To sustain our community engagement, we launched several promotional programs in 2013:

- Roadshows to school communities from Elementary School and Junior High School.
- Introducing Wi-Fi Flashzones for campus communities.
- Introducing a Free Try-Out Online Program which was held in cooperation with the Ministry of Education and targeted Junior High School and Senior High School students.

Products and Services for Youth and Communities

WiFI Flash Zones on Campus

Providing Wi-Fi Flashzones on Campus where students can enjoy free data access for 3 hours.

PENSIL (Pesta Isi Ulang Anak Sekolah)

PENSIL (Pesta Isi Ulang Anak Sekolah), recharge program for School Communities.

simPATI Loop & Kartu As PlayMania

Targeting younger users from teenagers to the kids segment, Telkomsel launched *simpATI* Loop and Kartu As PlayMania.

Indischool

In schools, supported by Telkom to continuously provide Wi-Fi Indischool, which offers 30 minutes of free data access, as well as school applications by introducing SIAP Online from Telkom.

Try Out Online

The Try Out Online Program is a cooperation program between Telkomsel and the Ministry of Education and Culture through a Free Try Out Online for Junior High School and Senior High School students.

Device Bundling

In the digital space, smart phone adoption is the key to broadband consumption. Telkomsel encourages its customers to adopt smartphones through bundling strategies that refer to the DNA ecosystem strategy (Device, Network & Application), and targets at both new and existing customers. In 2013, to boost data adoption and usage, we launched aggressive campaigns in the form of device bundling programs in partnership with 3G device manufacturers and distributors of major international and local brands. The objective was to drive the wide use of low-cost 3G smart phones as well as to maintain Telkomsel's High Value Customers through the launch of flagship smartphones.

As part of our loyalty and retention programs for High Value Customers, Telkomsel offered flagship smartphone bundling packages that would drive them to "upgrade" their device and increase usage. We also introduced the new kartuHalo with flagship smartphones as well as alternative channels for kartuHalo subscriptions via distributors' modern channels and e-commerce.

Loyalty Programs & Merchant Partnership

In addition to the aggressive sales and marketing campaigns during 2013, we continued to improve the loyalty programs to increase the benefits available for our most regular customers. The program participants can earn and redeem points with the network of our partners and merchants nationwide. TELKOMSELpoin's challenge is to build a long-term strategy of customer engagement through their special interests. The program now develops major partnerships with some big brands. Another program objective was to have higher revenue and longer Length of Stay (LoS).

Interconnection and International Roaming

Interconnection

We managed the interconnection business in 2013 with the aim of improving the performance of voice services, increasing revenue, pursuing greater cost savings, and minimizing outpayments but growing in-payments.

Our strategies to realize those objectives included the establishment of interconnection business scheme with Telkom and by offering special tariff promotions. We and Telkom agreed to develop synergy in marketing promotion programs.

This year, we succeeded in developing new roaming partnerships with Turkmenistan-based MTS and Tigo Tchad for voice service; Algeria-based ATM and Bahrain-based Zain for GPRS service; Brazil-based Vivo for CAMEL service; also Israeli Pelephone and Sri Lanka's Huth for 3G service.

In the meantime, we also conducted some migration works, particularly for XL trunk at Point of Interest (POI) Semarang and Jakarta, SLI trunk for Telkom's POI Surabaya and GW OLO Indosat at POI BTM and PLG. We then conducted rebalancing of international traffic at POI Surabaya.

The program implementation helped us to save around Rp25 billion in interconnection costs, increase data traffic by 24% and increase in-payment by 14% in 2013 compared to the previous year. Nevertheless, out payment increased by 33% over the period.

International Roaming

In 2013, we succeeded in continuing with the aggressive expansion of favourably priced voice, SMS and data roaming solutions and expanding roaming agreements on voice, GPRS, 3G and CAMEL through the implementation of LTE (Long Term Evolution) roaming trials with some leading operators, such as Singapore-based SingTel, Philippines-based Globe, Hong Kong CSL and Saudi Arabian-based Mobily during the 2013 APEC Summit in Bali. This is one achievement that represents our effort to secure our market leadership in this business segment.

In total, in 2013 we signed 512 international roaming agreements in almost 192 countries and 416 data roaming agreements in 147 countries. In addition, we established preferential roaming partnerships with more than 65 operators worldwide to encourage inbound traffic, to save roaming costs and enhance our roaming retail proposition.

Marketing and Sales

The efforts enabled us to obtain an 18% growth in our inbound traffic in 2013 to 33.7 million minutes compared to 28.6 million minutes in 2012, as well as a 24% growth in outbound traffic to 27.7 million minutes from 22.3 million minutes in 2012. We also saw a substantial growth in data traffic, namely at 140% for inbound traffic and 103% for outbound traffic.

Adding to that, we continued to secure agreements on special IOTs (Inter Operator Tariffs) with our major global operator partners to improve the customer experience. This year, we succeeded in securing IOT discount agreements with all operator partners from Saudi Arabia, in which we induced affordable roaming tariff (voice, SMS and data roaming services) to the Hajj pilgrimage program. Our customers could enjoy roaming service without selecting any operators manually while they were in Saudi Arabia, and it was guaranteed free of hassles and billing shock. The 2013 Hajj program was very successful in driving the Net Revenue & Traffic Achievement, boosted Telkomsel's brand image and made a significant improvement in the customer experience. The program drove growth in voice, SMS and data traffic by 11%, 8% and 381%, respectively, compared to the achievements in the 2012 Hajj season. It also yielded a 43% growth in net revenue. The program was deployed in cooperation with all Saudi Arabia-based operators, STC, Mobily and Zain.

In addition, we launched a series of intensive marketing campaigns throughout the year to enhance customer awareness and strengthen the image of Telkomsel's international roaming products and services. Several were focused on strategic areas, including airports, while digital media campaigns were also extensively used. We also introduced retention programs, including a free Roaming Call Center (1111) for kartuHalo subscribers, which is accessible from all roaming countries.

To maintain excellent service and quality standards for both outbound and inbound roamers, we regularly conduct extensive quality programs, rigorous testing and BTS parameter optimization at major entry points.

Bridge Alliance

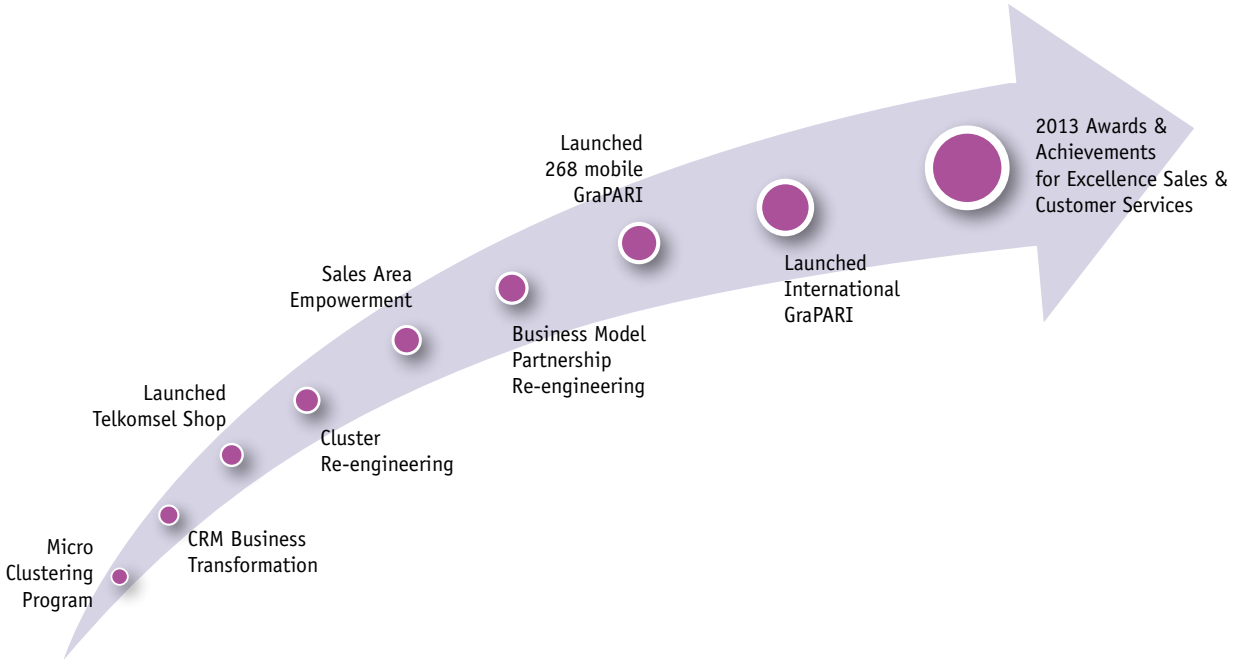
Telkomsel customers can enjoy a competitive and seamless roaming experience worldwide through our partnership with leading mobile operators in the Bridge Alliance.

In the meantime, we continued to benefit from our membership in the Bridge Alliance, particularly to support the extended service offering to our customers abroad. As Asia's leading telecommunications operator alliance, Bridge Alliance not only facilitates the management of traffic steering among its Alliance members but also encourages partnership through programs, such as bridge Data Roaming Unlimited and attractive voice-sms package.

In 2013, the effort to provide a better customer experience was intensified by encouraging Alliance members to simplify zonal retail tariffs and network agnostics within the group and alliance countries. Each Bridge Member Operator is responsible for delivering the full cycle of customer experience management from subscription and pre-departure to in-country roaming and eventual home arrival.

Area Sales Activities

2013 Sales & Services Excellence Milestone



Telkomsel provides its telecommunication services all over Indonesia and covers more than 95% of the country's population. The country is divided into 4 Sales Areas, namely Sumatra (Area 1), Greater Jakarta and West Java (Area 2), Java and Bali (Area 3) and Papua, Maluku, Sulawesi, Kalimantan or Pamasuka (Area 4).

By having 4 Areas across Indonesia, we are able to reach the market faster and better, supported by our distribution channel to ensure the implementation of 5 part growth strategy is well executed.

In general, the sales strategy covers big main segments of customer portfolio that applied by all areas to drive sales and marketing performance. The strategy were focused on the areas of:

1. **In Retail Market**

   We strengthened the Penetration, Acquisition, Retention (PAR) approach through zonal marking with 206 clusters, sales & distribution enhancement, modern channel empowerment and device bundling to sustain the legacy business, strengthen our broadband and trigger digital services.

Retail segment is the biggest market portion for Telkomsel to be managed and developed. By implementing localized area program, we have specifically approached and penetrated the new and existing market of telecommunication services on priority-based program and cluster-based program. We managed the retail market until the smallest part of sales area territory known as a cluster. Each cluster is managed by sales team both internal sales team and external sales team (authorized distributors).

Area Sales Activities

In this market, we served most of customer needs through sales device bundling (from low-end to hi-end segment), broadband sales activities, outlet enhancement and management, cluster management, sales and internet education through mobile GraPARI/mobile official outlet (MOGI).

2. In Corporate Market

Not only focus on kartuHalo but also broaden high-value customers through Close User Group (CUG). One of the strategies is focused on customer from human to non-human subscribers through Machine to Machine (M2M) business and optimized synergy with parent.

Telkomsel also served corporate market that consists of large companies (local and global companies that operating in Indonesia) and SME (Small Medium Enterprise). In order to develop corporate market and enhance corporate business solution, some business initiatives were conducted in 2013 such as co-operation with banking and switching/aggregator companies.

3. In Community

Community segment is a potential market that has to be managed. Therefore, Telkomsel started to overlook all potential communities in Indonesia. 2013 onwards, we were focused on youth community (school & campus) and other community (hobbies, interest) whereas we participate to facilitate many communities' event sponsorships and engagement program.

By doing so, we believe that we plant good investment to generate sustainable revenue stream from community segment. In 2013, we launched Telkomsel national online tryout to engage school community across Indonesia.

4. Strengthened Customer Care

As our commitment to provide customers' satisfaction, we always improve our quality of services to customers through service channels modernization, payment system improvement, and introduced new international expansion GraPARI (Timor Leste, Hongkong & Malaysia) to provide excellent customer experience.

In order to get closer with our customers and to enhance our service quality to customers, we provide 268 Mobile GraPARI (Mobile Official Telkomsel Point of services) across Indonesia. In addition, we also provide and operate 450 Mobile BTS to fulfill mobile service as new lifestyle services.

Awards & Recognitions

During 2013, Telkomsel's customer services were awarded several achievement as follow:

- The Best Telecommunication GSM in Excellent Service Experience Award (conduct by CCSL – February 2013)
- Contact Center Service Excellence Award - Call Center Category (conduct by Carre-CCSL – March 2013)
- Service Quality Award 2013 – Cellular Telecommunication GSM Telecommunication Service Points for GraPARI Telkomsel (conduct by Carre-CCSL – May 2013)
- Silver Achievement Opexcon Award 2013 – Mobile GraPARI (conduct by SSCX International – Nov 2013)
- Indonesia Customer Satisfaction Award (ICSA) 2013 – *simPATI*, Best Prepaid Cellular Simcard; kartuHalo – Best Postpaid Cellular SIM card (conduct by Majalah SWA and Frontier Consulting Group – Nov 2013)
- The best responsive online account (social media) in the world in 2013 according to survey of Socialbaker.com

Area Sales Activities

A. Sumatera

Telkomsel has a relatively strong presence in Sumatera. Hence the sales programs in 2013 were primarily focused on maintaining its market share domination by strengthening zone marking (micro cluster approach) to sustain the legacy business growth, embracing the youth segment and at the same time winning the high-value customers through excellent customer experience. Telkomsel initiated an aggressive program to increase retailer channels from new retailers or alternative channels such as school canteens, hawkers and traditional stores. Moreover, an attractive broadband (internet) package was offered to attract youth and community segments in order to strengthen the digital business. We encourage smart phone adoption through device bundling to increase data consumption.

The programs resulted in significant achievements, including growing the contribution from the youth and community segments, increasing internet payload, and increasing the number of new retailers.

B. Greater Jakarta - West Java

Greater Jakarta - West Java is the most competitive area, with a hyper competitive market. Hence the programs are focused on significantly increasing revenue from the digital business and high value customers, by expanding to the youth and community segments and a strong campaign for broadband products. We ensure excellent service in every sales channels and customer touch points, as well as network support to provide high quality telecommunication services to retain high value customers.

In 2013, with the focus on the digital business and high value customers, the Greater Jakarta – West Java Area recorded higher revenue from data compared to SMS revenue.

C. Java-Bali

Java-Bali is a competitive area with tight competition but most of the country's population lives in that area. This creates an opportunity for our company to penetrate the market. Hence our programs are focusing on increasing revenue from the potential opportunity from digital business and high value customers. In certain cities, we started to see significant increases in revenue from broadband, which outpaced revenue from SMS. In addition, we enhanced the customer experience through excellent service in every sales channel and customer touch point.

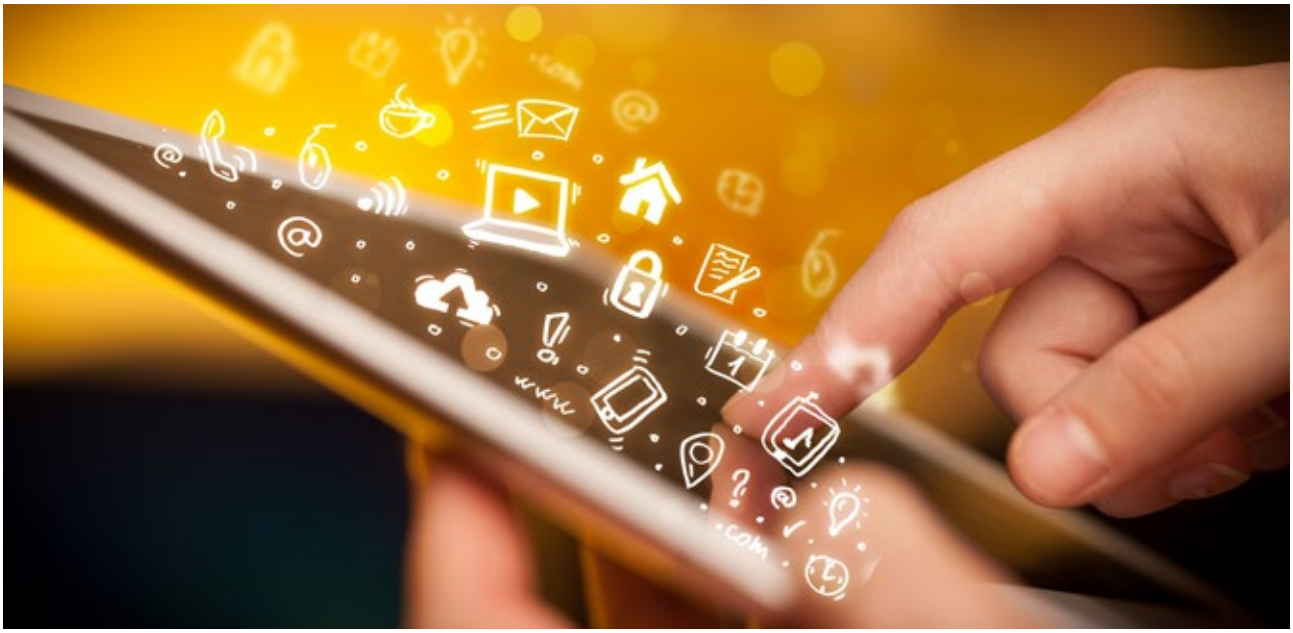
In 2013, with the focus on the digital business and high value customers, the Java-Bali area recorded a significant revenue increase from broadband in several cities with data traffic growth of 91% YoY. In addition, the customer base of kartuHalo increased 15% YoY.

D. Papua, Maluku, Sulawesi, Kalimantan (Pamasuka)

Telkomsel has strong presence in the Pamasuka area. Hence in 2013, Telkomsel initiated several programs to maintain its market share domination including empowerment of sales distributors and outlet channel strengthening for retail market to further enhance customer experience, and penetrating the market by enhancing network coverage and quality. We strengthened the digital business by embracing the youth and community segments through innovative collaboration, and strengthened our position amongst corporates, SMEs and government institutions through kartuHalo solutions. We enhanced the integrated DNA platform to lead device bundling to deliver broadband services.

In 2013, the focus on the digital business resulted in a high utilization rate of 3G BTS compared to other areas.

Customer Service and Channel Management



Our brands revolve around providing the best possible experience for our customers through a wide range of products, efficient service delivery and support, as well as delivering consistent service across a range of channels and touch points.

Key programs in 2013 to achieve service excellence and retain customers' loyalty:

Expanding the Customer Touch Point (CTP) Network

As the front line of our customer service, the Customer Touch Point (CTP) network ensures our customers enjoy good access to a range of Telkomsel's products, services and assistance at any time.

In 2013, we expanded our walk-in Customer Touch Points (CTP) to include 408 GraPARI outlets (of which 321 are managed in cooperation with our business partners while the other 87 are under our own management) and 3 outlets of Plasa Telkom. Also in that year, we introduced 2 new GraPARI outlets, including the one with a youth concept at Taman Bungkul, Surabaya. In 2013, our walk-in CTPs contributed more than 10.9 million transactions.

In addition, we served on-call assistance through the Call Centers in five locations in Medan, Jakarta, Bandung, Surabaya and Makassar with the support from more than 2,400 Call Center officers. For this service, we have received ISO 9001:2008 certification.

Customers while overseas can easily access our self-care services by sending an SMS to 1111. During the 2013 Hajj season, we provided assistance to Hajj pilgrims by relaunching the Hajj Call Center, which was hosted in Jakarta and operated in cooperation with our Saudi Arabian partner, Zain.

Mobile GraPARI Indonesia (MoGI)

In August 2013, we launched 268 Mobile GraPARI Indonesia (MoGI). The service was designed to support the implementation of the Masterpiece program that was dedicated to serving mobile users

across the country. A variety of services available on the mobile GraPARI include the sales of products (SIM card and device bundling), digital service, card replacement, product and service activation, unblocking service, bill payments, after-sales service, complaints handling, as well as information on Telkomsel's products and services.

SelfCare

There are various methods of accessing the SelfCare services, including through UMB, SMS, Web, email and social media. We introduced the SelfCare (https://my.telkomsel.com) to facilitate kartuHalo bill payment and prepaid balance top up using credit cards as a payment channel. Bill payment and prepaid charging are usually done through GraPARI outlets, prepaid credit or ATM machines. Customers can enjoy lots of payment options easily by accessing the SelfCare site.

Electronic Billing

Adding to those new services, in July 2013, we continued to push forward the implementation of electronic billing service to replace kartuHalo's printed bills. Electronic billing ensures a significant cost reduction as well as being more environmentally friendly.

An Integrated Supporting Tool for Service Improvement

Other innovations we introduced in 2013 included the simplification of the supporting tools we use at all Customer Touch Points. The CTPs initially applied 2 (two) supporting tools, namely CWC (Contact Work Code) and Cookies. We have now integrated those two supporting tools into Cookies. This tool integration is important to support the customer handling process as we can better manage the handling and resolution time. Adding to the integration, we also renewed the service category, i.e. the KIP (Klasifikasi Interaksi Pelanggan) to align perceptions between customer service and the back-office support.

Improving Distribution Channels and Developing New Partnerships

In 2013, we set out a number of work programs to improve our distribution channels and develop new partnerships. The work programs included formulating the requirement policy for partner distributors, developing more channel distributors, developing the organization of partner distributors and developing partnership in the sale of data voucher.

Telkomsel received a Contact Center Service Excellence Award (CCSEA) 2013 in the Excellent Service Performance category.

ISO 9001:2008 Certification for GraPARI and Call Center

We are committed to providing the highest customer satisfaction in accordance with the international ISO 9001:2008 standard. This is the international standard for quality management, indicating that recipients have consistently delivered high quality products and services and guaranteed customer satisfaction.

In 2013, 5 (five) Call Centers and 20 (twenty) GraPARI were awarded ISO 9001:2008 certification. The five Call Center locations are: Medan, Jakarta, Bandung, Surabaya and Makassar. The twenty GraPARI locations are: North Jakarta (Mangga Dua), Central Jakarta (Alia Gambir), West Jakarta (Central Park), East Jakarta (Rawamangun), South Jakarta 1 (Wisma Mulia), South Jakarta 2 (Gandaria City), BSD Tangerang, Bekasi, Bogor, Medan, Pekanbaru, Palembang, Bandung, Semarang, Surabaya 1, Surabaya 2, Surabaya 3, Denpasar, Balikpapan, Makassar.

Call Center certification started in 1997 for ISO 9002:1994 and was updated in 2008 for ISO 9001:2000 and in 2010 for ISO 9001:2008, accredited by TÜV Nord.

GraPARI certification started in 2005 for ISO 9001:2000 and was updated in 2010 for ISO 9001:2008, accredited by TÜV Nord.

Telkomsel's service excellence resulted in several awards, among which were Contact Center Service Excellence Award (CCSEA) 2013 and Service Quality Award 2013 for GraPARI Telkomsel

Information Technology

Our relentless innovation in products and services require the support of advanced technology. It is clear that IT development must support the implementation of our corporate strategic objectives and initiatives in the effort to be a world-class digital services provider.

The Strategy Implementations

Our strategic objectives for IT development are to provide leading IT systems and technology platforms to promote a deeper customer understanding and high digital service quality, and initiatives include developing the customer intimacy platform, developing innovative products and services, and establishing an end-to-end digital platform which in turn resulted in cost leadership.

The IT activities supporting the strategy implementations in 2013 included:

1. To support the development of the legacy business, particularly voice and SMS. Our innovation in 2013 led us to stay in the lead in the competitive market as we succeeded in making some breakthroughs in term of product development through the launch of *simPATI* Loop, kartuHalo Family, Speedy-Flash (Splash), VAS voucher, and *simPATI* APEC for LTE trial. In SMS services, we provided the customers with the innovative SMS filter on-net and off-net services, which could protect them from SMS spam.

2. Working together with network team, we increase packet switch charging capacity by 62% in order to strengthen the presence of our core businesses. Our IT development included providing configuration on charging and provisioning system to make our broadband service packages more competitive in the market.

3. We made several partnership agreements with business users in order to help us to be more proactive and responsive in providing accurate solutions that match with the user's objectives. We also established a specific unit that would function as single point of contact at each directorate to help identify the requirements and align them with IT initiatives. In addition, we launched the IT services catalog 2.0 to provide clear information on our range of IT services to the business users.

Kicking Off the Development Phase of IT Transformation

In line with the ongoing business and cultural transformation, we also kicked off the development phase of the IT transformation programs as of 2013.

The highlights of our IT transformation programs in 2013 were:

a. The installation of new CRM (Customer Relationship Management) and CC (Customer Care) system, which is expected to deploy an integrated database for customer touch point channels. The system will help to reduce customer's handling time and enable customers to monitor the progress of their complaints or requests more easily.

b. The improvement of customer profiling and customer analytics as well as the enhancement of report management to support accurate and timely decision making by embarking on the development of OSDSS (Operational and Strategic Decision Support System) project.

c. The introduction of IT Application Development Management, which serves as a single gate to facilitate IT requests from the users. Its implementation will transform the interaction between IT and business users to help us improve business request and project management.

d. The enhancement of the legacy enterprise system through the implementation of a mobile portal to facilitate the transformation to a more flexible working culture. In 2013, the IT transformation of the working culture was started by implementing a mobile human resource system.

Network Development

Building the Network for the Digital Business

In the ever-changing telecommunication business landscape, Telkomsel has put in place a comprehensive network Master Plan to brace its network for the digital era. We continue to invest in broadband infrastructure through capacity, quality, coverage expansion and modernization programs, as well as optimizing core network infrastructure.

In 2013, we deployed 15,567 new BTS, of which 75% were Node-B. The new BTS deployment brought total BTS on-air to 69,864 units, with around 39% of those BTS are Node-B. Telkomsel's network deployment is based on a geographical cluster strategy that considers Indonesia's long-term macroeconomic projections, service integrity, interoperability and financial indicators. Other criteria for clusterization are global benchmarks, vendor technology roadmap, the economic zones detailed in the government master plan for economic development (MP3I) and service quality. We expanded our data network coverage to more than 300 broadband cities by the end of 2013.

In March 2013, Telkomsel obtained additional spectrum in 2100 MHz band to be utilized as 3G 3rd carrier. Telkomsel took advantage of the opportunity to expand its broadband service and introduced creative innovations to boost its data and digital business. By the end of 2013, we had deployed 3rd carrier in 3,400 Node-B.

	2012	2013	Growth
BTS – New on-air	11,675	15,567	33.3%
BTS – Total on-air	54,297	69,864	28.7%
3G BTS – New on-air	5,925	11,601	95.8%
3G BTS – Total on-air	15,433	27,034	75.2%

Network Modernization

Network modernization is critical to upgrade and replace obsolete equipment to keep the network on a par with the latest technology and services. Through modernization, we gained higher-capacity equipment at a lower cost and more energy-efficient per unit, which at the same time gave us cost savings in operation and maintenance. The modernization was carried out gradually to minimize the financial impact.

In 2013, we upgraded approximately 4,900 BTS or Node-B which are more energy-efficient, have higher capacity and a lower cost per unit. Network modernization occurred mainly in Sumatra, Bali, Kalimantan, Nusa Tenggara, as well as Greater Jakarta and West Java. The new equipment comes with Software-Defined Radio (SDR) technology, which is upgradable to LTE. We will continue to modernize our network in the coming years as part of the comprehensive network Master Plan.

For Transport, by leveraging our parent company's infrastructure, we modernized TDM transmission technology to IP-based Transmission and upgraded the Metro-E capacity to 50 Mbps and 100 Mbps accordingly which significantly improved our fiber-optic network capability (approximately 30%) that was necessary to support our growing digital business. For Core, we implemented new GGSN (Gateway GPRS Support Node) and SGSN (Serving GPRS Support Node) across strategic areas with a high growth in data traffic.

NG TINEM Initiatives (Next Generation Tender Infrastructure Network Millenium)

Cost optimization Programs are initiated to optimally reduce Company's cost structure over the long term. In 2013, one such key initiative was the NG TINEM, through which we, through our proven track record as a leading network supplier, managed to secure massive cost savings from our key network vendors

Network Development

translating to cost savings per unit of approximately 30% on capex and 15%-20% on maintenance cost.

With NG TINEM initiative -supported by our 4 key vendors- in place, the speed of network deployment becomes faster and more efficient, which is in line with our network leading supply objective, leading to Telkomsel ultimately meet the Triple-3 goals.

Mobile COMBAT

Mobile COMBAT (Compact Mobile Base Station) is one of Telkomsel's innovations to provide fast network coverage solutions for high-traffic demand lacking sufficient coverage, including concerts and sport events, festive season celebrations, etc. Mobile COMBAT is part of Telkomsel's commitment to give the best customer experience to all subscribers.

The Mobile COMBAT is also deployed to provide communication services following disasters, such as the Merapi and Sinabung volcanic eruptions, floods in Bojonegoro and Jakarta, etc.

By end of 2013, Telkomsel has deployed 450 mobile COMBAT throughout Indonesia. Depending on service requirements, we will increase the number of mobile COMBAT as and when necessary.

Excellent Network Operation

To support the infrastructure development, this year we took a number of strategic initiatives, including enhancing capability and controlling network expansion, ensuring maintenance of network quality and providing data information attributes timely and accurately, as well as strengthening network asset management. Further, we succeeded in developing an asset management framework, which was very critical to the business operation. We combined this effort with an assessment of the asset lifecycle and categories, and preparation for the Warehouse Application (WITA) to go online.

In order to boost the customer digital experience, in 2013 we finally came to the implementation of the Customer Experience Management system and data probing tools to help us measure and analyze service quality based on the customer experience. In fact, with the system's implementation, we can now measure customers' behaviors and utilize them for further business analysis and creating new services in the future.

We are also transforming the Operation Management to comply with NOC (Network Operation Center) global standards comprising people, process and tools. The NOC process refers to eTOM & ITIL framework industry standard. This year, we successfully implemented the NOC dashboard, Knowledge Management System, NOC process and produced 157 internationally- certified engineers for network, IT, security and project management.

The successful support for the 25th APEC Summit 2013 in Bali and network readiness during the Christmas and New Year festive seasons are the result of this NOC transformation. Last but not least, in 2013 Telkomsel also received ISO 27001: 2005 certification.

In 2013, Telkomsel obtained ISO 27001:2005 Certification for the scope areas of Operation of Broadband Services, Recharging System, e-Wallet System, Service Desk System, Customer Care and Billing System for Postpaid and Prepaid.

USO Projects and Special Area Development

Telkomsel's USO and Special Area Development projects reflect our commitment to provide extended coverage in remote areas of Indonesia.

The USO projects supports the Government's program to deliver telecommunication services to villages and rural areas; Special Area Development project, meanwhile, is Telkomsel's solution for untapped rural regions which are not included in the Government's USO Project awarded to Telkomsel.

These projects are mutually beneficial for both the communities and Telkomsel, as they not only drive positive economic growth and social development, but also help strengthen Telkomsel's brands and achieve its campaign aim of being The Most Indonesian *(Paling Indonesia)* cellular operator.

In 2013, several major programs of the USO Project included:

USO TELINFO-TUNTAS Border Village Service Facilities

To provide telecommunication facilities for voice and SMS services for a total of 286 sites in border villages and outer islands across Indonesia.

USO Desa Dering

To provide basic telephony and SMS services in more than 25,000 villages across the country from 2009 to 2014.

USO Desa Pinter

To provide infrastructure and internet facilities using Broadband Wireless Access (BWA) or OFDM solution for rural areas. We successfully completed the operational target by extending the internet service to 880 villages (340 villages in North Sumatera, 340 villages in West Sumatera and 200 villages in East Kalimantan).

Telkomsel Merah Putih

To extend telecommunication services to isolated areas, remote industries and maritime territories. In 2013, we succeeded in deploying another 25 Telkomsel Merah Putih (TMP) sites in addition to the existing 380 TMP sites.

GREAT People Great Company

TELKOMSEL WAY transforms human capital into GREAT People that will lead the business with the Solid, Speed and Smart spirit towards Great Company.

Human Capital Management

In the changing business environment towards digital business and to exploit business opportunity in the area/regions, our organization is undergoing business transformation. Human Capital Management (HCM) transformation is an integral part of that transformation. We transform our People, Culture, and Organization to ensure our people are future ready.

The first transformation initiative is to transform our people through various programs to increase their core competency which was defined by skill, knowledge, ability and attitude. This initiative allows our people to engage our businesses now and in the future.

Secondly, we launched our new Corporate Culture, THE TELKOMSEL WAY which act as a believe system consisting of three layers to help guide our employees behavior to realize the corporate vision, mission and the growth strategies. The three layers of THE TELKOMSEL WAY are: a) Philosophy to be the Best, b) Principles to be the star and c) Practices to be the Winner.

The third transformation is organization. In the changing business environment towards digital business and to exploit business opportunity in the area/region, organization transformation is focused on formation of end to end digital business and area empowerment organization to be more agile and adaptive.

These three initiatives of HCM transformation have been implemented in 2013, and still continue with smart execution according to the roadmap and HCM Blue Print we set up. With 4,700 people across Indonesia we believe we will always be the market leader and remain competitive.

Our People Transformation

To support our people transformation, we launched several major programs as an effort to support the strategy implementation in growing digital business. We encourage talent, leader and employee exchange program in this area.

Talent management at Telkomsel is an integrated and continuous process, from attracting the right talent to developing and retaining them. We focus on developing competencies that support our business agenda by identifying talent at all levels of the organization, in both general management and functional leadership tracks. We adopt the approach that an individual is responsible for his or her own personal development, while business leaders are responsible for developing talent for their team and the organization as a whole.

In 2013, programs that we have developed included Talent Pool management, Career and Succession Plan, and the establishment of Career Committee. The career management policy will facilitate the people to have an integrated and sustainable plan for their future career. Scholarship programs help us to identify young talent while strategic internship programs offer direct exposure to the dynamic environment, people and work of the Company. The program provided opportunities for the talented and future leaders to further their education funded by our company. We sent our people to top overseas universities under full scholarship (tuition and life expenses).

To complete technical and managerial skills, we continually enhance our leadership capabilities through training and leadership programs as we continue to expand to digital business and area empowerment. In 2013, Telkomsel launched the Great People Development Program (GPDP) that was aimed to develop the managerial and leadership skills of our HIPO employees (High Potential & Performance). The program used 3C (Character, Competence, Collaboration) building concept that give more attention to character building.

We also leveraged on synergy with parents group in the aspects of people development and culture implementation. In cooperation with SingTel, HIPO employees would join in leadership training programs such as Regional Leadership in Action (RLA) and Game for Global Growth (GGG). In cooperation with Telkom, we had various training activities under the programs included Global Talent Program (GTP). In addition, we also have programs in

people and culture development through Talent Mobility Program & Talent Exchange in cooperation with SingTel as well as Employee Exchange Program in cooperation with Telkom.

Employee Engagement Level

In 2013, Telkomsel conducted Employee Engagement Survey which shows that our people have high level of engagement with the company. With that employee engagement score, Telkomsel would be in the top 40% of 500 global companies.

To promote a positive and conducive working environment, we also consistently maintain good communication with Telkomsel's Labor Union, SEPAKAT.

THE TELKOMSEL WAY

As we believe that at its best, culture can be an asset that enables, energizes, and enhances human behavior and when wisely utilized, it can accelerate and sustain business results. Therefore, cultural transformation program is one of Telkomsel's key strategic initiatives in 2013. We call it THE TELKOMSEL WAY.

THE TELKOMSEL WAY, built as Telkomsel belief system which consist of three layers of:

- Philosophy to be the Best (Always the best with GREAT Values: InteGrity-Respect-Enthusiasm-LoyAlty-Totality),
- Principles to be the Star (3S Spirit: Solid, Speed, Smart),
- Practices to be the Winner (Great People, Great Strategy, Great Innovation).

Internal socialization program of 'THE TELKOMSEL WAY' was one of HCM's key strategic programs during 2013 in order to support the business and cultural transformations within the organization. Through the transformation on values and employees' behaviour, we believe to be on the right track to realize the corporate vision, mission and the growth strategies.

To support the internalization of new values, we have developed training program for cultural change agent for THE TELKOMSEL WAY. We identified 57 change agents that have been trained and directly involved in THE TELKOMSEL WAY internalization program. We instill new working spirit: Solid, Speed, Smart by reinforcing high performance culture through performance-based reward system and fostering innovation culture.

In facing market dynamics and changing business and organization, Our GREAT Values of inteGrity-Respect-Enthusiasm-loyAlty-Totality have proven more important than ever, serving

as the common foundation for over 4,700 of our people across Indonesia to ensure business sustainability.

Culture Health Index

To measure the success implementation of culture transformation, we conducted a Culture Entropy Survey, which assess our corporate culture's health. The smaller the score number, the smaller gap between actual and ideal culture health index. In 2013, we saw improvement in culture health from 20% to 16%.

Transform Organization, More Adaptive and Agile

To exploit legacy and to sustain its growth, Telkomsel needs an agile organization structure that is close to the market. We have strengthened the Area and regional organizations by moving some of the key job functions such as selected Sales & Marketing, Network and IT from the Head Office to the Area and Regional Offices. With the area empowerment strategy, each Area and Regional Office will have greater empowerment to create some tactical programs to focus on the execution at local area level. In 2013, Telkomsel relocated 1,279 employees from headquarter to areas/regions which changed the composition of Headquarter : Area ratio from around 65%:35% to around 40%:60%.

In digital business, which is dynamic and has short product lifecycle, Telkomsel requires an adaptive organization and speed in execution and internal process to enable it to face the challenges. Therefore, Telkomsel had set up an end to end digital business, from planning, product development, marketing, and distribution channel to deliver to the market. In 2013 Telkomsel had employed 179 people in digital business organization, as compared to 131 people in 2012. We also strengthen partnership and business model of people and organization to accelerate product and service delivery to the market.

To measure the transformation process, in 2013 we conducted the Organization Value Assessment (OVA), facilitated by International Consultant. OVA provide current insights on People, Culture & Organization Transformation and will be used as a baseline for Human Capital Roadmap development.

Based on the internal rating, Telkomsel scores are all above 3.55, which is well above the average of 3.00 in benchmarking with the 500 global companies.

Synergy

We have benefited from synergy management, both with the parents, Telkom Group and SingTel, and also with other strategic partners, as the key to achieve much broader success, particularly in more competitive business.

Telkom Group and the SingTel are putting their full support behind the operation of legacy business as well as the development of digital mobile services in a strategic synergy program. The synergy in digital mobile development is based on the DNA framework-device, network and application-which is integrated in a single digital ecosystem.

In 2013, Telkomsel continued to build on the synergy foundation programs it has developed with parent companies. There were more than 54 initiatives in 2013, which could be broadly categorize into these following:

1. Synergy Related to Customer Experience.
2. Synergy Related to Network Infrastructure.
3. Synergy Related to Digital Business.
4. Related to Business Support.

Synergy Related to Customer Experience

The focus of synergy related to customer experience in 2013 was mainly on product development, sales and after sales activities to enhance customer experience which in turn will generate incremental revenue. The synergy activities in 2013 conducted with Telkom Group were as follows:

1. **Product Development**
   - Spincard (voucher),
   - Bundling Speedy and Flash,
   - WiFi: WiFi zone enhancement and campus & school wifi,
   - IDD 007 enhancement,
   - UMB 147 Indischool,
   - International expansion Malaysia, Myanmar, Hongkong, Timor Leste.

2. **Sales**
   - Sales bundling kartuHalo with PSTN
   - Outlet synergy and Plasa Telkom
   - Mobile GraPARI
   - International outlet
   - Modern channel payment (ritnas)
   - Sales kartuHalo thru Witel Telkom.
3. **After Sales**
   - Call center
   - Call center for Hajj
   - Program Siaga Telkom Group.

Synergy Related to Network Infrastructure

The focus of synergy related to network infrastructure was mainly to tap into our parent's infrastructure to drive cost efficiency through economic of scale, revenue enhancement and infrastructure preparation for digital business. The scope of synergy activities with Telkom Group were as follows:

1. **Transmission**
   - +/- 7,000 Metro E,
   - internet exchange (2012: 20 GB; 2013: 30GB, or 50% growth YoY),
   - satellite.
2. **Tower**
   3,300 towers in synergy with Telkom's Subsidiary, Mitratel.
3. **Joint research**
   Join Innovation center between Telkom Group including Telkomsel and Huawei.

Synergy Related to Digital Business

The Telkom Group and SingTel Group are putting their full support behind the development of digital ecosystem as strategic synergy program. Telkomsel is leveraging Telkom and SingTel's capabilities in digital business. In platform:

1. **Digital Life Platform**
   Synergy with Telkom (U Store), synergy with Melon for music platform.
2. **Mobile Advertising Platform**
   Synergy with SingTel (Amobee).
3. **Mobile Payment Platform**
   Synergy with Telkom Group (U Store, E Money).
4. **Enterprise solution Platform**
   Synergy with Jesper (Machine to Machine platform).

With regards to content and VAS, to realize digital center of excellence, Telkomsel optimize the contents and service that are already deployed by Telkom and SingTel Group, they are:

1. **Digital Life**
   USee TV, *simPATI* Play, Edu Mobile Games Agustusan, UZone, UTrack, UMeet Me, UGames, Q Baca, Telkom Store, device bundling, UShop, Pixable, Newsloop, Vuclip, Shopify, BPL
2. **Mobile Advertising**
   UAdd, monetizing big data
3. **Mobile Payment**
   T-Cash, Delima, M Cash, Footprint.

Related to Business Support

The Telkom Group and SingTel Group are also supporting the development of Telkomsel's human capital in strategic synergy program. The objective of the synergy includes strengthening leadership capabilities and international business experience. Telkomsel had sent its employees in Global Talent Program (GTP) for 3 months period in Hongkong, Malaysia, Timor Leste, Myanmar. We also conducted Talent Exchange in cooperation with SingTel as well as Employee Exchange Program in cooperation with Telkom to develop leadership capability.

In the area of Corporate Social Responsibility, Telkomsel conducted *Program Bina Lingkungan* (Environment Nurturing Program), with main objective to empower society as well as to promote Telkomsel as The Most Indonesia cellular operator. Some of the key CSR programs with parents in 2013 were:

- Natural disasters recovery.
- Education Scholarship Distribution and provision of skills training.
- Conservation of Nature.

Management Discussion and Analysis

Maintain the Best Performance, Stay in the Lead

In 2013, we passed important milestones by achieving Rp60 trillion in revenue and maintaining double digit growth in Revenue, EBITDA, and Net Income. We also maintained our leading position in the cellular market with an estimated revenue market share of around 60% amongst the BIG 3 cellular operators.

Global and Indonesia Macroeconomic Review

2013 was a tough year for Indonesia economy as globally many countries was still struggling to rebound from recession. Indonesian Rupiah depreciated more than 25% against the US Dollar and we saw higher inflation rate and government debt.

In Indonesia, the impact of the weakening of the global economy was mainly on energy and commodity exports such as coal and palm oil. The resilience of the domestic economy is largely due to strong domestic consumption, which contributes more than 50% of Indonesia's GDP. Although several macro indicators weakened in 2013, such as increased inflation due to the fuel price hike to reduce the budget deficit, rising interest rates, and a depreciated Rupiah, the Indonesian economy still recorded moderate growth of around 5.7%.

Macroeconomic condition remains cautious going into 2014 with uncertainty from parliamentary and presidential elections as well as significant government debt due in 2014 add to the uncertainty.

Business Review and Outlook for the Telecommunications Industry

Despite the relatively unstable market condition, the telecommunication industry was resilient and registered growth 7%-8%, riding on the wave of increasing data traffic and growing mobile internet penetration. The country's young population and rising per capita income are driving demand for multimedia, broadband and internet services. The immense popularity of social networks is evidenced by the fact that Indonesia was among the largest markets for Facebook and Twitter in 2013. Data, internet and broadband services accounted for around 20% of operators' revenue. This has helped the operators in offsetting the diminishing growth in legacy voice and SMS revenues, as SIM card penetration has reached around 120% of the population.

With the growth of mobile broadband and digital services, and smartphone penetration that is still relatively low at around 20%, the industry still has room to grow.

The digital business market in Indonesia is expected to grow significantly, supported by massive usage of mobile broadband and various digital service products. Smartphones will become a generic product as prices get lower, and many vendors are showing their appetite to flood the Indonesian market with relatively cheap smartphones.

Overview of 2013 Performance

In 2013, telecommunication industry grew by 7% among BIG 3 operator with Telkomsel grew higher than industry. We passed important milestones by achieving Rp60 trillion in revenue, or 10.1% increase over last year, and maintaining double digit growth in Revenue, EBITDA and Net Income. We maintained our leading position in the cellular market with an estimated revenue market share of around 60% amongst the BIG 3 cellular operators.

Telkomsel recorded a net add of 6.4 million new customers, bringing the total customer base to 131.5 million, an increase of 5.1% from last year. Data users reached 60.5 million, an increase of 10.8% compared to last year with robust broadband consumption. Telkomsel Flash customer base increased significantly by 56.5% to 17.3 million, while BlackBerry customers grew by 31.1% to 7.6 million. The remaining customers consumed broadband on Pay As You Use, adding total data user to 60.5 million, an increase of 10.8% over last year.

In terms of traffic, legacy business remained growing with Minutes of Usage (MoU) production increased 3.6% to 191.4 billion minutes while SMS traffic grew 2.7% to 259.6 billion units. In the meantime, data traffic grew significantly of 86.1% to 96,683 terabyte during the year.

Telkomsel' earnings were strong with EBITDA increased by 10.0% to Rp33.9 trillion and EBITDA margin remained stable at 56%. Meanwhile, Net Income grew by 10.4% to Rp17.3 trillion with relatively stable net margin at 29%. As a result, we were on track to achieve our Triple-3 mid-term objectives, where at the end of 2013 we successfully enhanced our enterprise value (EV) close to Rp238 trillion from Rp220 trillion last year, maintained double digit revenue growth, and digital business contributed close to 20% from around 16% last year.

Operational Results

Customer Base

Telkomsel's customer base at the end of 2013 reached 131.5 million, an increase of 5.1% from last year despite saturated market penetration. kartuHalo recorded the highest growth in customers, increasing 15.8% to 2.5 million, which accounted for around 1.9% of total customers, while *simPATI* grew 12.0% to 59.7 million customers or 45.4% of total customers. Kartu As, meanwhile, declined slightly by 0.6% to 69.3 million customers, accounting for 52.7% of the total customer base.

BTS

During 2013, Telkomsel deployed 15,567 new BTSs, an increase of 33.3% compared to the number of new BTS deployed in the previous year. This has brought total BTS on-air to 69,864, or +28.7% YoY.

To support the growth in digital business around 75% of new BTS were 3G BTS, which brought the total proportion of 3G BTS on-air to 39% of total BTS. The deployment of 3G BTS is aligned with Telkomsel's strategy for facing the future of the digital era.

ARPU

With market saturated, one of the strategies were to grow ARPU and we manage to increase our blended ARPU to Rp37.5 thousand from Rp 37.0 thousand last year. This was achieved through our organization transformation which focus on market segmentation, pricing optimization, zonal marking and cluster based approach.

Minutes of Usage (MoU) and Revenue Per Minute (RPM)

MoU production in 2013 increased 3.6% to 191.4 billion minutes, mainly due to the increase in the customer base. The Company was able to increase revenue per minute by 0.9% to Rp160, which was attributable to the pricing strategy.

SMS and Revenue Per SMS (RPS)

SMS traffic in 2013 grew 2.7% to 259.6 billion units, mainly attributable to the increase in the customer base. Revenue per SMS improved to Rp49 from Rp48 last year.

Data Payload

In 2013, Data Payload increased 86.2% from 51,938 TB to 96,683 TB, with revenue per megabyte decreased 26.8% from Rp142/Mb to Rp104/Mb.

Financial Results

Revenues

In 2013, Telkomsel recorded a 10.1% growth in revenue to Rp60.0 trillion. The healthy growth was supported by the sustained legacy business, which grew 5.4%, coupled with strong growth in the digital business (broadband and digital services), which increased 35.0% over last year. Prepaid services remained the largest contributor, accounting for 82.7% of total revenue.

- Revenue from prepaid products (*simPATI* and Kartu As) increased 9.4% to Rp49.6 trillion, fueled by increased usage in voice and SMS coupled with improved ARPU as well as higher data revenue.
- Revenue from the postpaid product, kartuHalo, grew 9.3% to Rp4.7 trillion, mainly driven by the increase in the postpaid customer base.
- Revenue from interconnection and international roaming rose 9.7% to Rp4.8 trillion, partly due to full year impact of SMS interconnection tariff.
- Revenue from other businesses increased 76.5% to Rp0.95 trillion, mainly driven by increased revenue in network leasing and incentive revenue from USO.

The Company's digital business grew strongly by 35.0% to Rp11.7 trillion. The business contributed close to 20% of total revenue in 2013, compared to 16% last year. The tremendous growth in the digital business was in line with the increase in the number of broadband users, which grew by 10.8% to 60.5 million users. In addition, these data users increased their usage, as reflected by data payload, which grew 86.1% to 96.7 petabytes.

Expenses

Expenses (in billion Rp)	2012	2013	Growth
Operation & Maintenance	11,176	12,992	16.3%
Depreciation & Amortization	9,656	10,318	6.9%
Cost of Services	3,941	3,998	1.5%
Interconnection	3,244	3,213	-0.9%
Personnel	2,270	2,390	5.3%
Marketing	2,161	2,322	7.5%
General & Administrative	952	1,246	30.8%
Others – net	139	280	102.0%
Total	**33,538**	**36,761**	**9.6%**

For the year ended 2013, expenses (including depreciation) increased by 9.6% to Rp36.7 trillion, lower than revenue growth of 10.1%, indicating that Telkomsel operated efficiently.

- Operation & Maintenance expenses increased 16.3% to Rp12.9 trillion, driven mainly by accelerated network deployment including tower rent. We reclassified amortization of intangible assets from operation and maintenance expenses to depreciation and amortization to conform with parent groups accounting treatment (Rp253 billion in 2013 and Rp223 billion in 2012).
- Depreciation & Amortization expenses increased 6.9% to Rp10.3 trillion, in line with network deployment and reclassified tower leases.
- Cost of Services expenses increased slightly by 1.5% to Rp3.9 trillion, due to better management of bad debt and the cost of cards.
- Interconnection expenses decreased slightly by 0.9% to Rp3.2 trillion, due to better business-to-business schemes with roaming partners.
- Personnel expenses were up 5.3% to Rp2.4 trillion, driven mainly by an increase in headcount, salaries and benefits.
- Marketing expenses increased 7.5% to Rp2.3 trillion, mainly due to intensive marketing promotion and market research.
- General & Administrative expenses surged 30.8% to Rp1.2 trillion, driven by higher building space rental expenses
- Other expenses jumped 102% to Rp280 billion, which was mainly attributable to foreign exchange losses due to the weakening of the Rupiah against the US Dollar.

Operation & Maintenance Expenses (in billion Rp)	2012	2013	Growth
Transmission	2,649	3,159	19,2%
Frequency	2,904	3,011	3.7%
Repair & Maintenance	2,157	2,728	26.5%
Power supply	1,793	1,918	7.0%
Others	1,673	2,177	30.1%
Total	**11,176**	**12,992**	**16.3%**

EBITDA and Net Income

EBITDA increased 10.0% to Rp33.9 trillion, with a stable EBITDA margin at 56%. Meanwhile, net income grew 10.4% to Rp17.3 trillion, with a stable net income margin at 29%.

Balance Sheet

Telkomsel's total assets at end of 2013 increased 17% to Rp73.3 trillion from last year.

- Current assets increased by 22% to Rp16.6 trillion, mainly due to significant increase in short-term investment which grew 55% to Rp6.2 trillion.

- Fixed assets increased by 14% to Rp53.2 trillion, in line with the additional network equipment deployed during the year.
- Current liabilities increased 26% to Rp16.4 trillion mainly due to increased accrued liabilities to Rp2.8 trillion and obligation under finance lease to Rp473 billion.

Total liabilities increased 34% to Rp25.5 trillion, mainly due to a change in accounting policy concerning tower leases, as part of tower lease were posted as financial leases. Obligations under finance lease increased 370% to Rp5.0 trillion. The other major factors were accrued liabilities, which increased 39% to Rp10 trillion, in line with the accelerated network deployment.

Shareholders' equity grew 9% to Rp47.8 trillion due to additional retained earnings as a result of the higher net income in 2013.

Capital Expenditure and Cash Flows

We recorded a 12.8% YoY increase in net cash generated from operations in 2013 to Rp29,602 billion. Cash flow for investment activities increased 6.8% YoY to Rp14,445 billion. In 2013, capital expenditure for infrastructure investment amounting to Rp12,397 billion, grew 29.4% compared to last year of Rp9,578 billion. While capital expenditure commitment reached Rp11,556 billion, slightly increased from Rp11,399 billion last year. Net cash used in financing activities fell 17.1% YoY to Rp1,899 billion due to lower outstanding loan in 2013.

(in billion Rp)	2012	2013	Growth
Cash Flow from Operating Activities	26,229	29,602	12.9%
Cash Flow from Investing Activities	(13,528)	(14,445)	6.8%
Cash Flow from Financing Activities	(2,291)	(1,899)	-17.1%
Cash Dividend	(9,900)	(12,890)	30.2%
Net Increase in Cash & Cash Equivalents	510	368	-27.8%
Effect of Exchange Rate Changes on Cash & Cash Equivalents	54	400	642.1%
Cash & Cash Equivalents at Beginning of Year	4,223	4,787	13.3%
Cash & Cash Equivalents at End of Year	4,787	5,555	16.0%

Free Cash Flows

Telkomsel Free Cash Flows at the end of December 2013 amounting to Rp17.3 trillion, slightly increased from Rp16.7 trillion last year.

Loans

At the end of December 2013, Telkomsel had outstanding loans of Rp2.2 trillion, of which around Rp1.1 trillion was short-term loans and the remaining Rp1.1 trillion was long-term loans. Around 31% of the total loans was in the form of foreign currency, amounting to US$55.2 million. In addition, the Company has to monitor and maintain financial covenants related to its loan/debts.

(in billion Rp)	< 1 year	> 1 year	Total
Loans	1,109	1,038	2,147

The exchange rate of Rupiah against USD as of December 2012 was Rp9,670 and as of December 2013 was Rp12,189.

Forex Loss Impact

As a result of weakening IDR currency, the Company experienced forex loss amounting to Rp531 billion in 2013 and Rp214 billion in 2012, respectively.

Covenant	Required	Actual
EBITDA to Debt Service	> 1.25 x	15.75
Debt to Tangible Net Worth	< 2.00 x	0.05

Credit Rating

The latest rating issued by Standard & Poor's (global) and Fitch Rating Indonesia are as follows:

Credit Rating Agency	Rating	Outlook	Issued Date
S&P	BBB-	Stable	December 20, 2013
Fitch	AAA	Stable	July 1, 2013

Financial Ratios

Solvability	2012	2013	YoY
Debt* to Equity	10.6%	15.9%	+5.3ppt
Debt* to EBITDA	22.4%	15.2%	-7.2ppt
Total Liabilities to Equity	43.5%	53.4%	+9.9ppt

*) Debt icl. Obligations under Finance Lease - net of current maturities

Profitability	2012	2013	YoY
Return on Assets	25.8%	25.5%	-0.3ppt
Return on Equity	38.2%	37.9%	-0.3ppt

Good Corporate Governance

Strengthening the Implementation of GCG, Creating Long-term Values

Telkomsel named as one of the companies with Best Corporate Governance from Finance Asia: Asia's Best Companies 2013.

Good Corporate Governance

Our commitment to the implementation of Good Corporate Governance (GCG) in every aspect of the business represents our compliance with the Company Law No. 40 of 2007 and some aspects of the United States Sarbanes-Oxley Act (SOA), against which all subsidiaries of PT Telekomunikasi Indonesia Tbk (TELKOM) are required to comply following its share listing on New York Stock Exchange (NYSE).

At the same time, the GCG implementation is also understood as an important element that will ensure the Company's competitiveness in continuously winning the market leadership positions and guide us in creating long-term values for both shareholders and stakeholders.

In order to build a strong GCG structure within the organization, we are firmly tied to five principles which serve as the pillars of our GCG implementation. The five principles are:

a. Transparency

This principle shall be carried in the effort of presenting a fair access to all information about the Company's financial and operational performances.

b. Accountability

Management and staffs of all levels are also required to develop high accountability in every action taken and in maintaining a fruitful relationship with the shareholders and stakeholders as well as on the part of its regulatory compliance.

c. Responsibility

This principle requires commitment of the entire elements of the organization to show their integrity and responsibility in decision making process, in defending the Company's and stakeholders' interests and assets and risk management to ensure business continuity.

d. Independence

We exercise our independence as an organization with high integrity by ensuring that all management is free from conflict of interest and/or the influence of other party.

e. Fairness

We carry the principle to ensure that all shareholders and stakeholders receive equal treatment, including fair opportunities for the employees to earn a career promotion, training and education, and access to information.

Code of Conduct

Telkomsel has adopted a code of conduct in accordance with highest standards of values and ethical conducts. The code applies to all employees representing the Company and it is envisioned to govern them in executing their sense of duty. Everyone associated with Telkomsel code of conducts should comply with law and regulations and act in the best interest of the Company.

The code influences how employees think about action and what we should or should not do include safeguarding of Company's assets, revenues and monetary adjustment beyond Company's Policy. It is the personal responsibility of each employee to adhere to the applicable standards.

General Meeting of Shareholders

As stated in the Articles of Association, the General Meeting of Shareholders (GMS) serves as the highest forum that is granted with the authorities other than those granted to either the Board of Directors or the Board of Commissioners, including taking the decisions against vital and strategic corporate actions and giving approval to the reports of the Board of Commissioners and the Directors. In the GMS, The Board of Directors releases the Company annual report and the financial report, determine the allocation of the Company Net Profit and appoint the independent auditor.

The Board of Commissioners

Board of Commissioners comprises six members and one of them performs as the President Commissioner. Telkom as the majority shareholder is entitled to nominate four Commissioners and SingTel Mobile reserves right to nominate two Commissioners, the members are:

Telkom Representatives

President Commissioner : Arief Yahya
Commissioner : Rizkan Chandra
Commissioner : Priyantono Rudito
Commissioner : Muchlis Moechtar

SingTel Representatives

Commissioner : Paul Dominic O'Sullivan
Commissioner : Yuen Kuan Moon

The Board of Commissioners are responsible for:

- Supervise the Board of Directors' management of the Company;
- Supervise the implementation of the Company's long-term business strategy;
- Oversee the effectiveness of the good corporate governance practices in the Company, including risk management and internal controls;
- Monitor the performance of the business;
- Provide direction, recommendations and guidance for the Board of Directors in managing the company's business.

Meetings of the Board of Commissioners

The Articles of Association states, The Board of Commissioners holds a meeting at least once every three month, or whenever necessary as requested by any of the Board members or shareholder(s) who represent at least 1/10 of the total issued shares of the company with valid voting rights. The Board of Commissioners also holds joint meetings with the Board of Directors as part of performing its supervisory function. In 2013, the Board of Commissioners meeting joining with the Board of Directors held 5 meetings, the attendance of BoC and BoD as follow:

Name	Position	Meeting Attended
Board of Commissioners		
Arief Yahya	President Commissioner	4 of 5
Rizkan Chandra	Commissioner	4 of 5
Priyantono Rudito	Commissioner	4 of 5
Muchlis Moechtar	Commissioner	4 of 5
Paul Dominic O'Sullivan	Commissioner	5 of 5
Yuen Kuan Moon	Commissioner	5 of 5
Board of Directors		
Alex Janangkih Sinaga	President Director	5 of 5
Mas'ud Khamid	Director of Sales	5 of 5
Heri Supriadi	Director of Finance	5 of 5
Herdy Rosadi Harman	Director Human Capital Management	5 of 5
Abdus Somad Arief	Director of Network	5 of 5
Edward Ying Siew Heng	Director of Planning and Transformation	5 of 5
Ng Soo Kee	Director of Information and Technology	5 of 5
Alistair David Johnston	Director of Marketing	4 of 5

The Board of Directors

Board of Directors consists of eight members and is led by the President Director. Telkom as the majority shareholder is entitled to nominate five Directors and SingTel Mobile reserves right to nominate three Directors, the members are:

Telkom Representatives

President Director : Alex Janangkih Sinaga
Director of Sales : Mas'ud Khamid
Director of Finance : Heri Supriadi
Director Human Capital Management : Herdy Rosadi Harman
Director of Network : Abdus Somad Arief

SingTel Representatives

Director of Planning and Transformation : Edward Ying Siew Heng
Director of Information and Technology : Ng Soo Kee
Director of Marketing : Alistair David Johnston

The Board of Directors are responsible for:

- Maintain the daily business of the company;
- Formulating Telkomsel's Business Plan and Strategy
- Preparing the annual budget;
- Preparing the Annual Report to Shareholders;
- Ensuring the governance of the business run effectively to give value to the shareholders and stakeholders;
- Representing the Company in any legal cases.

Meetings of the Board of Directors

Board of Directors hold at least once in every two months or whenever requested by any of the Board members or by any of the Commissioners or by shareholder(s) who represent at least 1/10 of the total issued shares of the company with valid voting rights. The Board of Directors also holds joint meetings with the Board of Commissioners to present the reports on the operational and financial performances of the company as well as to discussing and inquiring necessary approval for corporate agenda. The quorum for the meetings of the Board of Directors is four members, including one Director nominated by each shareholder of the Company that possesses at least 10% of the total issued shares of the company.

In 2013, the Board of Directors held 32 meetings, the attendance of BoD as follow:

Name	Position	Meeting Attended
Board of Directors		
Alex Janangkih Sinaga	President Director	31 of 32
Mas'ud Khamid	Director of Sales	32 of 32
Heri Supriadi	Director of Finance	32 of 32
Herdy Rosadi Harman	Director Human Capital Management	32 of 32
Abdus Somad Arief	Director of Network	31 of 32
Edward Ying Siew Heng	Director of Planning and Transformation	32 of 32
Ng Soo Kee	Director of Information and Technology	32 of 32
Alistair David Johnston	Director of Marketing	32 of 32

Independence of Board of Commissioners and Board of Directors

The Company has a firm policy regarding the independence issue, which requires all members of Board of Commissioners and Board of Directors to report any positions they hold at other institutions potentially raising the conflict of interest or leading to the violation of the existing laws and regulations. In a situation where one of our Directors is exposed to a conflict of interest, he or she, as the Articles of Association says, shall be represented by another Board member.

It also says that the Board of Commissioners may take over part of responsibility of the Board of Directors in the case where all members of the Board of Directors are exposed to a conflict of interest. Also to ensure their independence, our policy regulates that all members of the Board of Directors and Board of Commissioners must not possess familial relationship with any other Board member.

Committees under the Board of Commissioners

Board of Commissioners is Company organ which is charged to conduct supervision in a general manner and/or in a specific manner in accordance with articles of association and to provide advice to Board of Directors.

In performing its supervisory function, the Board of Commissioners takes assistance from three Committees.
The Committees are:
1. Audit Committee
2. Remuneration Committee
3. CAPEX, Financing and Management Process (CFMP) Committee.

The Audit Committee

The Audit Committee assists the Board of Commissioners to fulfilling its oversight responsibilities for financial reporting process, internal control process, internal and external audit process and risk management process. In performing its duties, the Audit Committee shall ensure the effective working relationship with the Board of Director, Management, Internal Auditor and External Auditor. The Audit Committee shall meet at least four (4) times a year, the meeting must be attended at least two members of Audit Committee, with one member nominated from Telkom and one member nominated from Singapore Telecom Mobile Pte Ltd. The Audit Committee members shall comprise at least 3 (three) members, The Member is appointed by The Board of Commissioners, at least one of the Member shall have competency in accounting and/or auditing.

The structure of the Audit Committees is:
- Priyantono Rudito as chairman
- Paul Dominic O'Sullivan as member
- Agus Suryono as member
- Maria Sawitri as member

The Audit Committee holds meetings on regular basis with the Internal Audit Group to discuss findings from the audit process.

The Remuneration Committee

The Remuneration Committee is established to assist the Board of Commissioners for getting the right visualization, whether policy and remuneration scheme that is being implemented or will be implemented in the Company reflect a fair reward to the Board of Directors or employee effectively and efficiently, attract talent and have competitive value in order to have competent human resources in the company. The Remuneration Committee shall comprise of at least 3 members and the members are appointed by the Board of Commissioners. Pursuant to The Charter, the Remuneration Committee shall meet at least 1 (one) a year and the meeting shall comprise of 2 (two) members.

The structure of the Remuneration Committee is:
- Muchlis Moechtar as chairman
- Yuen Kuan Moon as member
- Priyantono Rudito as member

Committees under the Board of Commissioners

The CAPEX, Financing and Management Process (CFMP) Committee

The Capex, Financing and Management Process (CFMP) Committee shall assist the Board of Commissioners in fulfilling its oversight responsibilities on the Capex, financing, and management processes of the Company. The CFM Committee will provide the Board of Commissioners from time to time with its findings and recommendations. For an effective review and understanding of the Capex and operational processes, the CFMP Committee will need have to have ongoing interaction with the management, which can be the Board of Directors members.

The CFM Committee shall review e.g., but not limited to:

a. The Capex planning and management process.
b. The financing policies and plans of the Company.
c. The capacity management, supply chain and operational target setting.

The CFMP Committee reports periodically to the Board of Commissioners. Its report will contain a summary of the CFMP Committee's activities, findings and recommendations. The CFM Committee shall comprise of at least 3 (three) members. At least one member of the CFM Committee is a member of the Board of Commissioners, nominated by Telkom and at least one member of the CFM Committee is a member of the Board of Commissioners nominated by SingTel. One other member of the CFM Committee is the representative of the Company in charge for Capex planning/ monitoring and financing. The CFMP Committee holds regular meetings, structured via a timetable, agenda's and minutes of meeting. The frequency of meetings will depend on the CFMP Committee's objectives and scope of activities.

The structure of CFMP Committee are:

- Rizkan Chandra as Chairman
- Yuen Kuan Moon as member
- Heri Supriadi as member
- Setyanto Hantoro as member

Remunerations

The General Meeting of Shareholders is authorized to determine the amount of remuneration for members of the Board of Commissioners and Board of Directors based on the recommendations from the Remuneration Committee. The remuneration structure for Directors and Commissioners comprises three components – fixed compensation, variable compensation, benefits and facilities.

1. **Fixed Compensation**
   The Fixed Compensation comprises base salary refer to AGMS dated 11 April 2013.
2. **Variable Compensation**
   Variable Compensation shall be paid in form of yearly bonus. The decision of yearly bonus will be determined in AGMS.
3. **Benefits & Facilities**
   Telkomsel provides benefits such as medical, allowance, housing, membership, communication and insurance.

For the year ended on December 31, 2012 and 2013, the Company paid an aggregate compensation of Rp43.5 Billion and Rp85.5 Billion to all Commissioners and Directors, or grew by 97% as BoD members increased from 5 (2011) to 8 (2012 and 2013) persons.

Enterprise Risk Management

In competitive telecommunication industry, the Company continues to find business opportunities that could be explored and give most valuable benefits to all stakeholders either in the short or long-term periods.

However, to achieve its objective, the Company should also deal with the risks that may arise. Through its Enterprise Risk Management (ERM) Unit, accordingly, as its regular process, the Company performs an annual assessment on the Corporate Wide Risks.

The assessment is based upon Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework, an integrated risk management framework which provides guidelines to ensure an effective risk management.

In 2013, based on the objectives as stated in the corporate plan, the ERM Unit assessed that the risks during the year consisted of Strategic, Operation, Finance and Compliance risks. Due to its magnitude, the Company prioritized on Reorganization, Outsourcing Arrangement, Over The Top (OTT) Services and IT/ Network Security and had taken necessary actions to mitigate those risks as follows:

1. Reorganization

The Company has been planning a reorganization and transformation of culture starting from 2013. Through the concept of Strategic Business Unit (SBU), under certain circumstances, the Company gives a greater authority to Area as a marking zone. The Headquarter is positioned as policy maker, control function and to develop new businesses (digital business).

The main challenges are adherence to the principle of segregation of duties and clarity of process ownership (control owner, authority and reporting) to attain a better performance. The Company should consider the impact of the overall reorganization process, especially to achievement of the corporate's objective. The other risks are increasing of cost, delay in infrastructure roll out and ineffective of internal control implementation.

To response those risks, The Company has established several policies related to the reorganization and internal control; and communicated them to all employees.

2. Outsourcing Arrangement

The rapid growth in business and the multi-competition challenges the Company to focus on the main activities aiming for effective, efficient and flexible business management. For this purpose, the Company has contracted out certain works to service providers or labor suppliers.

Based on the Minister of Manpower and Transmigration Decree No. 19/2012 regarding of "Conditions for outsourcing the implementation of work to other companies", there are two types of outsourcing:

- Outsourcing of work
- Outsourcing of workers (labor supply)

The outsourcing should be performed for supporting activities and provided by a legal entity. Under outsourcing of workers arrangement, the service provider (labor supplier) should be a limited liability corporation (*perseroan terbatas*).

Under this circumstance, there potential risks that labor supply arrangement with suppliers should be terminated and lawsuits from workers of the service providers may arise due to non-compliance with the regulation.

To response on the risks, the Company has established policy on outsourcing and developed SIAD (Sistem Informasi Alih Daya), an application for outsourcing arrangement; and periodically updates the data on workers from labor suppliers.

Enterprise Risk Management

3. OTT Services

Growing mobile industry with the creation of new innovations in technology towards the ease and speed of data access, has led to change the revenue stream from the basic services (voice and SMS) to the data services that are characterized by some digital-business products.

OTT services promising traffic acquisition and increase usage, while for voice and SMS will be decreased. Since our infrastructure is used as a dumb pipe, OTT services increasingly threaten and erode the revenues that could be earned by the Company.

To response the risks, the Company introduces digital products service to customers and cooperates with OTT players and others by applying content bundling in its product packages.

4. IT/Network Security

The significant risks related to information security that commonly exist in the telecommunication industry are password control, OSS-OAM access, security systems, active directory, domain admin and customer records. Those risks are generally related with the level of conformity/enforcement and commitment in implementing security-related policies.

The Company has established a policy on information security management in 2013. The policy is an evidence of the Company's commitment to secure the availability, confidentiality and integrity of data and information which are associated with the Company's customers and operational data.

As part of mitigation process, pursuant to organization changes in 2013 and to simplify control processes, the Company improved its business processes and internal control design covering of Entity Level Control, IT General Control and Transaction Level Control. By the improvement, the Company will be able to maintain control effectiveness as required by standards or regulations.

Internal Audit

Internal Audit (IA) plays an important support function to our operations. IA is responsible for monitoring and assessing the whole business process and the implementation of the good corporate governance in the company to ensure the business continuity and sustainability. The Internal Audit performs its function with reference to Internal Audit Charter that sets out the vision, objectives and scope of work of the IA and defines its accountability, independence, responsibility, authority and reporting requirements.

The scope of responsibilities of the IA is:

a. To provide independent, objective assurance and consulting activities which are directed to value creation and improved business performance;
b. To help the Company meet the business objectives using a systematic and disciplined approach to evaluating and improving the effectiveness of the Company's risk management, control and governance processes;
c. To provide analysis, recommendations, advice and information about the activities under review and report them to the management and the Board of Commissioners, via the Audit Committee.
d. To develop relationship with relevant audit institutions, of both national and international level, to improve the professionalism of Internal Audit Group (IAG).

In 2013, IA had performed internal audit activities which were aimed at supporting the accomplishment of a strategic objective of strengthening broadband infrastructure for the digital lifestyle era.

Among the audit objects were:

- Mobile Broadband and its Revenue Assurance,
- Broadband Network Performance, and
- ISO 27001 Surveillance Audit Expanded from the previous audit scope that define the extent of IT, now coupled with the network scope.

In addition, IA actively support management on any potential control deficiency related to compliance. IA hold quarterly review with external auditor and audit committee to review IA reports. IA had completed additional projects that covered operational, financial and SOA issues which include Billing & Collection CAM, Quarterly Limited Review, external audit assistance and general IT controls as well as a number of consultancy services and whistle blower channel.

In 2013, some improvements taken internally such as the establishment of Internal Audit Group structure to support the audit process and implementation of Audit Management System (AMS) to accommodate risk-based audit concept.

External Audit

During AGM, Telkomsel's shareholders empower the Board of Commissioners to appoint external auditors. The external auditors hold office until their removal or resignation. The Audit Committee assesses the external auditors based on factors such as the performance and quality of their audit and the independence of the auditors, and recommends their appointment to the Board of Directors in the frame of synergy with majority shareholding.

In order to maintain the independence of the external auditors, Telkomsel has developed policies regarding the types of non-audit services that the external auditors can provide and the related approval processes. The Audit Committee has also reviewed the non-audit services provided by the external auditors during the financial year and the fees paid for such services. The Audit Committee is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided a confirmation of their independence to the Audit Committee.

Whistleblowing

Telkomsel applies a firm policy on whistleblower. The policy regulates the ways on how an employee or other parties report fraud, unethical behavior, corruption, dishonest practices or breach of internal control and code of conduct to Telkomsel's Audit Committee. The committee will then follow up with an investigation.

So long the reporting of such matters are made in good faith, Telkomsel ensures the employees making such reports would be treated fairly and protected from reprisal. All whistleblowers complaints are investigated by special audit team and the result of the investigation is reported to AC for follow up action.

Regulation and Compliance

Telkomsel strives to always maintain an open and positive relationship with regulators, related national institutions and cellular operator associations. We provide regular reports to the regulator as part of our license requirements. We ensure that we always comply with prevailing regulations while contribute positively in developing and shaping regulatory development in telecommunication industry. We conduct studies and provide input on planned regulations that will influence telecommunication industry.

In 2013, we managed a number of regulatory and compliance issues with implications to our business. Key ones are as follow:

1. The additional allocation of 5 MHz for 3G 3rd carrier. In March 2014, Telkomsel was awarded the 5 Mhz 3G 3rd carrier on 2.1 Ghz Radio Frequency Band pursuant the issuance of Minister of Communication and Information's Decree No. 191 year 2013.
2. Content Regulation. To minimize fraud and unsolicited material, content providers need to pass government's scrutiny and apply for license before they can offer mobile content to customer.
3. Cost Based Interconnection Tariff. As dominant licensee, the government benchmarks the SMS interconnect cost to Telkomsel cost structure. The revised SMS interconnection tariff is planned to be implemented in 2014.

Litigation Cases

Our policy for seeking any legal solutions to the litigation cases is that they shall be in the interest of our business with consideration to the facts and data as well as the Company's compliance against the prevailing rules and regulations.

In 2012, Telkomsel was in dispute with PT Prima Jaya Informatika (PT Prima), a distributor of Telkomsel's pulse reload vouchers, which filed a bankruptcy petition following a claim on overdue receivables from Telkomsel amounting to Rp5.26 billion which represented undelivered pulse reload vouchers. In 2013, based on the Supreme Court's (SC) verdict, the SC decided to reject the bankruptcy petition filed by PT Prima, accordingly, the SC verdict was legally binding in favor of Telkomsel.

Telkomsel is currently in the lawsuit process on the case of SMS cartel, regarding with allegation of SMS cartel practices by the Commission for the Supervision of Business Competition ("CSBC"). Management believes that there are no such cartel practices that led to a breach of prevailing regulations. Accordingly, on July 11, 2008, Telkomsel field an objection with the court. As of December 2013, Telkomsel has not received any notification from the court regarding the resolution of the above mentioned case.

Corporate Secretary

Scope of work of Corporate Secretary is to ensure regulatory compliance and to manage relationship with the Company's stakeholder in the principles of good corporate governance, including the relationships with employees, shareholders, government institutions and public media. Corporate Secretary manages the interrelationship between the Board of Commissioners and Board of Directors as well as relationship among the Board members.

The detailed scope of duties and responsibilities of the Corporate Secretary includes:

- To ensure the governance of the Company's operation, particularly in terms of the alignment of interest among the stakeholders as well as the distribution of rights and responsibilities among the key elements of the Company.
- To ensure that all policies and business process of the Company are in compliance with the prevailing laws and regulations.
- To ensure an effective communication between the Company, the regulators and mass media and develop the Company's capability to fulfil its obligations to the Government.
- To manage working facilities and infrastructure in order to facilitate the efficient and effective operation of the Company.
- To build the Corporate Image and carry out the Corporate Social Responsibilities (CSR) activities.
- To hold the Corporate General Meetings, including Annual General Meeting of Shareholders.

Investor Relation

Our Investor Relations represents the commitment to promote transparency and fairness of the Company to the shareholders and stakeholders. Together with Telkom's Investor Relations team, we facilitate two-way communication with the existing and potential institutional investors, investment and market analysts as well as financial communities.

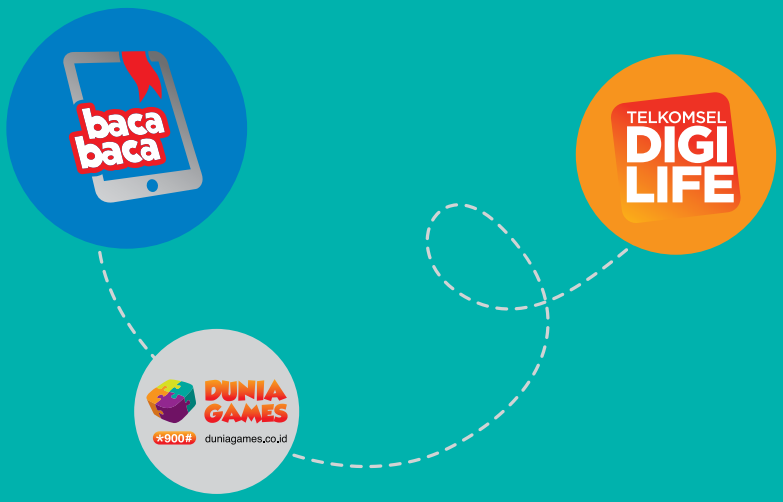
The Investor Relations is responsible for:

- The distribution of accurate and complete information about our business activities, strategies and performance at timely basis.
- The issuance of Info Memos on quarterly basis, which will be inserted in Telkom's quarterly Info Memo, and the Annual Report.
- Joining in a series of corporate events, such as road shows and conferences, investor meetings and site visits with the holding companies.

In 2013, we had more than 176 meetings with the investors/ analysts as well as managed 8 non-deal road shows/conferences in Jakarta, Singapore, London, Boston and New York.

For any inquiries regarding Telkomsel's financial and operational information, both shareholders and stakeholders shall visit Telkomsel's website, www.telkomsel.com or www.telkom.co.id.

Corporate Social Responsibility



Continuing Contribution for a Better Life of the Society

Telkomsel obtained Anugerah Peduli Pendidikan (APP) 2013 award from Ministry of Education and Culture for the best companies/state-owned companies and Indonesia Social Responsibility Award 2013 for its integrated digital school.

Corporate Social Responsibility

Corporate sustainability is the way of Telkomsel to operate our business by engaging with stakeholders since we believe that will leverage our resources and sustain our business future.

In 2013, we were developing initiative on CSR to ICT-based activities with focus on four major areas: Education, Public Community, Environment and Ecosystem. We believe that those area will sustain our future business in digital while at the same time make a significant contribution to our shareholders.

Education

In order to implement the digital platform in education, we developed programs that consist of Integrated Digital School (IDS), ECDC (Edu Campus Development Center) and distribution of scholarship for best performing students across Indonesia.

Integrated Digital School (IDS)

IDS is a program to digitalize school's information system in order to develop digital school ecosystem. This program is aimed to gain understanding and to familiar the use of digital services to support the education and communication amongst schools community.

In 2013, we have reached to 25 school communities in Central Java, Yogyakarta, East Java and Bali.

Edu Campus Development Center (ECDC)

ECDC is certified IT training program for Telkomsel users with the requirement of certain minimum purchasing. In 2013, we conducted with Microsoft to train 2,000 college students from 5 (five) prominent universities in Indonesia, namely Bandung Institute of Technology, Surabaya Institute of Technology, North Sumatera University, Mulawarman University and Diponegoro University.

Student Scholarships

A scholarship program is awarded to performed students of elementary to high schools all over provinces. In 2013, we awarded 134 students scholarship with the highest National Examination scores in each of their provinces and at each education level they represented.

Public Community

Telkomsel has its public community program to help the disadvantaged people to celebrate religion festive seasons. In 2013, we have three main activities namely Telkomsel Siaga 2013, celebration of Ied-ul Adha 1434H and Christmas and New Year.

Telkomsel Siaga 2013

Telkomsel donated 18,000 orphans or poor children from 180 foundations/orphanage houses in 18 cities in Indonesia including Medan, Palembang, Serang, Bandung, Semarang, Surabaya, Denpasar, Balikpapan, and Makassar.

Celebration of Ied-ul Adha 1434H

Our concern to social community also encouraged us to participate in the celebration of Ied-ul Adha 1434H. Bringing forward the theme *'Berkah Qurban-ku, Berkah Telkomsel-ku'*, we donated qurban meat at four areas.

Christmas and New Year Roadshow

Telkomsel held social activities to help disadvantaged communities to be able to celebrate Christmas in 8 cities. It included donations for school students through orphanage houses and donation for rehabilitation of praying houses.

Blood Donor Car to Indonesia Red Cross

Telkomsel donated a Blood Donor Car to Indonesia Red Cross to help facilitate the need for blood nationwide. The donation represents Telkomsel's commitment to Corporate Social Responsibility (CSR), particularly relating to health program.

Environment and Ecosystem

Indonesia is geographically prone to natural disasters particularly earthquake, mount eruption and flood. In addition, more than 65% of the area is covered by sea. Telkomsel is commited to support faster recovery of the natural disaster effects. In 2013, the program included:

CSR for emergency response

To mitigate the impact of natural disasters, Telkomsel through its Telkomsel Emergency Response and Recovery Action (TERRA) is committed to quickly recover the telecommunication infrastructure and to provide aid for disaster victims including medical care, temporary shelter, food, clean water, etc. In 2013, Telkomsel participated to recover the impact of natural disasters included:

- **Jakarta Flood**
  As part of our support for Jakarta flood victims, we established some camps in some critical points and provide health service, clean water, free medical treatment and telecommunication service with free Wi-Fi connection. Adding to the social activity, we consistently maintain the quality of network and service for the customers during the disaster.

- **Ambon Flood**
  TERRA team established emergency response camps where people could get access to the telecommunication service, built 16 units of semi-permanent public toilet and dispatched Mobile COMBAT service.

- **Mount Sinabung's Eruption**
  TERRA team built refugee camps at certain critical points: Jambur Sempakata (2,300 refugees), Losd Tiganderket (1,600 refugees), Gbkp (1,200 refugees) and Jambur Tuahlopati (800 refugees). We distributed thousands of free maskers, instant noodles, rice packages, and mineral water to the refugees. In the meantime, we also had telecommunication points to serve the refugees with telecommunication service.

CSR for maritime program

The program represents our strong commitment to protect Indonesia's rich marine resources. We initiate program activities include planting of coral reefs, cleaning of coastal and sea areas, distribution of telecommunication facilities to Army Posts and sailormen, including training program on how to preserve the coral reefs and good fishing techniques without causing damages to the marine life.

In 2013, we held the program at four points of the outer areas in Indonesia: Weh Island, Biak, Sangihe and Maumere. In addition, we launched tourism-based activity called Cinta Bahari for youth segment and built Telecommunication market.

In 2013, Telkomsel obtained a CSR award from the Ministry of Education and Culture and another award from La Tofi School of CSR as tokens of appreciation of our commitment to contribute to the nation and it's communities.

List of Abbreviations

3G	3rd Generation
4G	4th Generation
AMS	Audit Management System
APEC	Asia Pacific Economic Cooperation
ARPU	Average Revenue Per User
ATM	Automated Teller Machine
BBM	BlackBerry Messenger
BoC	Board of Comissioners
BoD	Board of Directors
BTS	Base Transceiver Station
BWA	Broadband Wireless Access
CAM	Corporate Account Management
CAMEL	Customised Applications for Mobile networks Enhanced Logic
Capex	Capital Expenditure
CCAM	Corporate and Community Account Management
CDMA	Code Division Multiple Access
CFMP	Capital Expenditure, Financing, and Management Process
COMBAT	Compact Mobile Base Station
CRM-CC	Customer Relationship Management and Customer Care
CSR	Corporate Social Responsibility
CTP	Customer Touch Points
CUG	Closed User Group
CWC	Contact Work Code
DNA	Device, Network, Applications
EBITDA	Earning Before Interest, Tax, Depreciation, and Amortization
ECDC	Edu Campus Development Center
EDC	Electronic Data Capture
EDGE	Enhanced Data rates for GSM Evolution
ERM	Enterprise Risk Management
GCG	Good Corporate Governance
GPRS	General Packet Radio Service
GSM	Global System for Mobile communication
HCM	Human Capital Management
HSDPA	High Speed Downlink Packet Access
HSPA	High Speed Packet Access
ICT	Information and Communication Technology
IDD	International Direct Dialing
IDS	Integrated Digital School
IPv	Internet Protocol version
IT	Information Technology
IVR	Interactive Voice Response
LoS	Length of Stay
LTE	Long Term Evolution
M2M	Machine to Machine
Mbps	Mega byte per second
MKIOS	Mobile KIOS
MMS	Multimedia Messaging Service
MoGI	Mobile GraPARI Indonesia
MoU	Minute of Usage
NSP	Nada Sambung Pribadi
OSDSS	Operational and Strategic Decision Support System
OTT	Over The Top
PSTN	Public Switched Telephone Network
RAN	Radio Access Network
RPM	Revenue Per Minute
RPS	Revenue Per SMS
SIM	Subscriber Identity Module
SME	Small Medium Enterprise
SMS	Short Messaging Service
SOA	Sarbanes–Oxley Act
TERRA	Telkomsel Emergency Response and Recovery Action
TINEM	Tender Infrastructure Network Millenium
TMC	Telkomsel Mobile Campus
TMP	Telkomsel Merah Putih
TSC	Telkomsel School Community
USO	Universal Service Obligation
USSD	Unstructured Supplementary Service Data
VAS	Value Added Service
VPN	Virtual Private Network
WAP	Wireless Application Protocol
WiFi	Wireless Fidelity

List of GraPARI

Region	Name	Address
North Sumatera	Banda Aceh	Jl. Tgk H.M Daud Beureueh No. 161, Banda Aceh 23122
	Binjai	Jl. Soekarno Hatta No. 14, Binjai
	Lhokseumawe	Jl. Merdeka No. 147-148, Lhokseumawe 24312
	Medan Selecta	Gedung Selecta Lt. 1 Jl. Listrik No. 2, Medan 20112
	Medan Sun Plaza	Sun Plaza Lt. 1 Blok A1 No. 5, Jl. KH. Zainul Arifin No. 7, Medan
	Meulaboh	Jl. Nasional Ujong Baru Johan Pahlawan, Meulaboh, West Aceh
	Padang Sidempuan	JL. Merdeka No. 85, Blok A 11-12 & A 15, Padang Sidempuan
	Pematang Siantar	Kompleks Megaland, Jl. Asahan Blok A No. 53, Pematang Siantar 21136
	Sibolga	Jl. MH. Thamrin No. 58, Sibolga 22521
	Kisaran	Jl. HOS. Cokroaminoto No. 30-32, Kisaran
	Kualanamu	Kualanamu International Airport, Medan
Central Sumatera	Batam Baloi	Komplek Baloi Office Park No. 9 Jl. Bunga Raya, Batam 29464
	Batam Center	Jl. Engku Putri Batam Centre, Batam 29432
	Dumai	Jl. Jendral Sudirman No. 153, Riau 28812
	Mall SKA Pekanbaru	Mall SKA Lt. 1 No. 5-8, Jl. Soekarno Hatta, Pekanbaru
	Padang	Jl. Khatib Sulaiman No. 51, Padang 25135
	Pekanbaru	Gedung Surya Dumai Lt. 1-2, Jl. Jend. Sudirman No. 395, Pekanbaru 28116
	Tanjung Balai Karimun	Komplek Karimun Centre Jl. A Yani No. 9-10, Kolong, Tanjung Balai Karimun 29661
	Tanjung Pinang	Jl. Basuki Rachmat No. 9, Tanjung Pinang 29124
	Tembilahan	Jl. Telaga Biru Parit No. 12, Tembilahan 29212
South Sumatera	Belitung	Jl. Jend. Sudirman No. 28 D-E, Pangkal Lalang, Belitung 33412
	Bengkulu	Jl. Kapten Tendean No. 86 KM. 6.5, Bengkulu 38225
	Jambi	Jl. Sri Sedewi, Jambi
	Lampung	Komp. Villa Citra Blok RE I-III, Jl. P. Antasari, Bandar Lampung 35132
	Lubuk Linggau	Jl. Yos Sudarso No. 13 A, RT. 04, Kelurahan Taba Jemekeh, Kecamatan Lubuk Linggau Timur-1, Lubuk Linggau 36125
	Muara Bungo	Jl. Jend. Sudirman No. 76, Muara Bungo, Jambi
	Palembang	Jl. Veteran No. 88 A, Palembang 30114
	Pangkal Pinang	Komp. Villa Bangka Asri No. 8, Jl. Raya Koba, Pangkal Pinang, Bangka 33171
Greater Jakarta (Metro)	Bekasi	Mall Bekasi Cyber Park, Jl. KH Noer Ali No. 177, Bekasi Selatan 17144
	Jakarta Barat	Mall Center Park Lt. 3, L3-116,117,118, JL. Letjen S. Parman, Jakarta 11480
	Jakarta Pusat	Wisma Alia Lt. 1-2, Jl. M. Ridwan Rais 10-18, Jakarta Pusat 10110
	Jakarta Selatan	Gedung Wisma Mulia Lt. G, Jl. Gatot Subroto No. 42, Jakarta 12710
	Jakarta Selatan 2 (Gandaria)	Gandaria Mall Lantai 1 Unit 137-141 Jl. KH. Syafi'i Hazami No. 8, Jakarta Selatan
	Jakarta Timur	Jl. Pemuda No.66, Rawamangun, Jakarta 13220
	Jakarta Utara	Maspion Plaza Gunung Sahari Lt. 1, Jl. Gunung Sahari Raya Kav. 18, Jakarta Utara 14430
	Tangerang, BSD	Graha Telekomunikasi Lt. Dasar, Jl. Raya Serpong Sektor IV BSD, Tangerang 15322
Greater Jakarta (Outer)	Bogor	Jl. Raya Pajajaran No. 3, Bogor 16143
	Cilegon	Graha Sucofindo Lt.1, Jl. Jendral A. Yani No. 106, Cilegon 42426
	Karawang	Ruko Broadway, Jl. Galuh Mas Raya Blok 2 No. 1-2, Karawang
	Serang	Jl. Raya Cilegon KM. 2 Kepandean, Serang
	Sukabumi	Jl. RE Martadinata No. 71, Sukabumi

List of GraPARI

Region	Name	Address
West Java	Bandung	Gedung Wahana Bakti Pos Lt. 2, Jl. Banda No. 30, Bandung 40115
	Bandung Dago	Jl. Ir. H. Juanda No. 252, Bandung 40134
	Cianjur	Jl. KH. Abdullah Bin Nuh No. 64-66, Cianjur 43212
	Cirebon	Jl. Yos Sudarso No. 12, Cirebon 45111
	Tasikmalaya	Jl. Panglayungan II No. 3-5, Tasikmalaya 46134
Central Java	Cilacap	Jl. S. Parman No. 8 RT. 01 RW. 03, Sidanegara Cilacap Tengah, Cilacap
	Kudus	Jl. Letkol. Tit Sudono No. 1A, Kudus 59318
	Purwokerto	Jl. S. Parman No. 950, Purwokerto 53141
	Semarang Mall Ciputra	Mall Ciputra Lantai dasar, Jl. Simpang Lima No. 1, Semarang 50241
	Semarang Pahlawan	Gedung Telkomsel, Jl. Pahlawan No. 10, Semarang
	Solo	Jl. Slamet Riyadi No. 433, Solo 57142
	Tegal	JL. Mayjen. Sutoyo No. 52, Tegal 52113
	Yogyakarta	Jl. Jend. Sudirman No. 60, Yogyakarta 55223
East Java	Banyuwangi	Jl. Adi Sucipto No. 5, Banyuwangi
	Gresik	JL. Usman Sadari No. 81, Gresik 61122
	Jember	Jl. Gatot Soebroto No. 43, Jember 68137
	Kediri	Jl. Diponegoro No. 47, Kediri 64123
	Madiun	Gedung Telkom, Jl. Pahlawan No. 59, Madiun 63161
	Malang	Jl. S. Parman No. 47, Malang
	Probolinggo	Jl. Suroyo No. 16, Probolinggo 67211
	Surabaya Bukit Darmo	Jl. Bukit Darmo Boulevard No. 6 C-D, Surabaya
	Surabaya Graha Pena	Gedung Graha Pena Lt. 1, JL. A. Yani No. 88, Surabaya 60231
	Surabaya Pemuda	Gedung Graha Timbul Jaya, Jl. Pemuda No. 181, Surabaya 60271
	Surabaya HR Muhammad	Jl. HR Muhammad No. 46, Surabaya 60225
Bali Nusa Tenggara	Denpasar	Graha Telkomsel, Jl. Diponegoro No. 134, Denpasar 80112
	Kupang	Jl. WJ. Lalamentik No. 88 Oebufu, Kupang 85119
	Kuta	Mall Bali Galeria Lt 2, Jl. By Pass I Gusti Ngurah Rai, Simpang Dewa Ruci Kuta Bali (Simpang Siur)
	Mataram	Jl. Pejanggik No. 47 F, Mataram, Lombok 83231
Kalimantan	Balikpapan	Jl. Jend. Sudirman No. 1, Balikpapan 76114
	Banjarmasin	Jl. Ahmad Yani Km. 5,2, Banjarmasin 70249
	Bontang	Jl. Ahmad Yani No. 20 Bontang, Kalimantan Timur 75311
	Palangkaraya	Jl. Cilik Riwut KM. 1 No. 1, Palangkaraya 73111
	Pontianak	Jl. Gusti Sulung Lelanang No. 6
	Samarinda	Komp. Mall Lembuswana, Blok A 16-18, Jl. S. Parman, Samarinda 75118
	Tarakan	Jl. Mulawarman No. 12, Tarakan 77111
Sulawesi	Gorontalo	Jl. Imam Bonjol No. 44, Gorontalo 96111
	Kendari	Jl. Abdullah Silondae No. 123, Kendari 93111
	Makassar	Gedung Graha Pena Makassar Lt. 1, Makassar
	Manado	Ruko Mega Style Blok I B No. 21-25, Jl. Pierre Tendean Boulevard, Manado
	Palu	JL. Dewi Sartika No. 96, Palu
	Pare-Pare	Jl. Bau Massepe No. 400, Pare-Pare 91111
Maluku Papua	Ambon	Jl. Dr. J.B Sitanala No. 09 A, Ambon 9711
	Jayapura	Gedung Telkom, Jl. Koti No. 01, Jayapura
	Manokwari	Jl. Yos Sudarso No. 1-2, depan SPBU Sanggeng, Manokwari
	Sorong	Jl. Ahmad Yani No. 25 A-B Klademak, Sorong 98414
	Timika	Jl. Hasanudin Inauga, Timika Papua 99910

Corporate Data

Telkomsel's shareholders are PT Telekomunikasi Indonesia Tbk (TELKOM) and Singapore Telecom Mobile Pte Ltd (SingTel Mobile). TELKOM, which owns 65% of Telkomsel's issued share capital, is the largest full-service telecommunications operator in Indonesia. TELKOM is listed on the Indonesia Stock Exchange (IDX:TLKM), the New York Stock Exchange (NYSE:TLK) and the London Stock Exchange (LSE:TKIA) and is majority owned by the Government of Indonesia. SingTel Mobile owns 35% of Telkomsel's issued share capital and is a wholly-owned subsidiary of Singapore Telecommunications Limited (SingTel). SingTel is Asia's leading communications group with a network of offices in the US, Europe, Asia-Pacific and Middle East. SingTel is listed on the Singapore Exchange (SGX:ST) and the Australian Stock Exchange (ASX:SGT).

Addresses of Shareholders

PT Telekomunikasi Indonesia Tbk (TELKOM)
Jl. Japati No. 1
Bandung 40133, Indonesia
Tel. +62-22-452 1108
Fax. +62-22-452 1408
www.telkom-indonesia.com

SingTel Mobile
31 Exeter Road - Comcentre
Singapore 239732
Tel. +65-6838 3388
Fax. +65-6738 3769
www.singtel.com

Company Address

PT Telekomunikasi Selular (Telkomsel)
Wisma Mulia
Jl. Jend. Gatot Subroto No. 42
Jakarta 12710, Indonesia
www.telkomsel.com

Investor Relations
Tel: +62-21-524 0811 ext. 11220
Fax: +62-21-5290 6122
e-mail: investor@telkomsel.co.id

PT TELEKOMUNIKASI SELULAR
Wisma Mulia
Jl. Jend. Gatot Subroto No. 42
Jakarta 12710, Indonesia
Phone +62-21-5240 811
Fax +62-21-5290 6122
investor@telkomsel.co.id
www.telkomsel.com